
TUCSON AIRPORT AUTHORITY | Board of Directors
Wednesday, June 14, 2023 | 3:00 p.m. | TAA Board Room and [Microsoft Teams](#)

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, June 14, 2023, beginning at 3:00 p.m.** Directors and the public may attend in person or virtually.

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: Members of the public interested in observing the proceedings 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 online or by phone.

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"/> Fran 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 April 4, 2023.

b. Appointments to the Nominating Council

Adopt Resolution No. 2023-10 appointing a vice chair and a new member to the Nominating Council to fill a vacancy.

3. BOARD CHAIR REPORT

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. PRESENTATION/DISCUSSION

TAA Attrition Trends in an Employee Talent Market

6. ACTION ITEMS

a. Rent-A-Car Contract Extensions

The Board of Directors will consider and may adopt Resolution No. 2023-11 authorizing the President/CEO (or her designee[s]) to enter into amendments to extend the Rent-A-Car contracts on a month-to-month basis not to exceed a six (6) month period.

b. Ascent Aviation | New Ground Lease

The Board of Directors will consider and may adopt Resolution No. 2023-12 authorizing the President/CEO (or her designee[s]) to execute a new ground lease with Ascent Aviation for the construction of a permanent engine test facility, subject to key business terms.

7. DIVISION UPDATES

a. Finance and Regulatory Administration

- February 2023 YTD Financials: Financial Summary | Aviation Activity Report
- FY 2023 Financial Statement Audit | Update

b. Planning and Engineering

- Airfield Safety Enhancement Program | Update
- Discussions with the United States Environmental Protection Agency and the Arizona Department of Environmental Quality regarding Per- and Polyfluorinated Substances (PFAS) | Update

8. NEXT MEETING

Wednesday, September 6, 2023, 3:00 p.m. | Hybrid Meeting – TAA Board Room and Microsoft Teams

9. ADJOURN

**TUCSON AIRPORT AUTHORITY | Board of Directors Regular Meeting
Tuesday, April 4, 2023 | 3:00 p.m. | TAA Board Room and Microsoft Teams**

THIS MEETING OF THE TUCSON AIRPORT AUTHORITY (TAA) BOARD OF DIRECTORS WAS HELD IN A HYBRID MANNER, WITH BOARD MEMBERS PRESENT IN THE TAA BOARD ROOM OR VIRTUALLY VIA MICROSOFT TEAMS. MEMBERS OF THE PUBLIC WERE ABLE TO ATTEND IN PERSON. MEMBERS OF THE PUBLIC WHO COMPLETED A REGISTRATION FORM RECEIVED A LINK TO VIEW THE MEETING VIA MICROSOFT TEAMS OR TO LISTEN TELEPHONICALLY.

THE TAA BOARD ROOM IS LOCATED ON THE DEPARTURE LEVEL OF THE TUCSON INTERNATIONAL AIRPORT TERMINAL BETWEEN THE SOUTHWEST AIRLINES AND DELTA AIRLINES TICKET OFFICES, AND BEHIND THE ARROYO TRADING POST. THE ADDRESS IS 7250 SOUTH TUCSON BOULEVARD, TUCSON, ARIZONA, 85756.

1. CALL TO ORDER | ROLL CALL

Chair Silvyn called the meeting to order at 3:03 p.m.

Directors Present (In Person): Chair Keri Silvyn, Vice Chair Mike Hammond, Secretary Phil Swaim, and Treasurer Vance Falbaum

Directors Present (Virtual): Director/Immediate Past Chair Bruce Dusenberry, Director Judy Rich, Director Todd Jackson, Director Sally Fernandez, Director Fran Katz, and Director Rhonda Piña

Directors Absent: Director Calline Sanchez

Staff Present: President/CEO Danette Bewley, Executive Vice President/Chief Operating Officer Bruce Goetz, Vice President/General Counsel Chris Schmaltz, Vice President/Chief Revenue Officer John Voorhees, Vice President of Planning and Engineering Ken Nichols, Vice President/Chief Financial Officer Kim Allison, Chief Technology Officer Anthony Casella, Chief Communications Officer Austin Wright, Director of Finance Clark Wager, and TAA Clerk Byron Jones

2. CONSENT AGENDA

- a. Approval of Minutes
- b. City of Tucson | MOU on City-Vacated Right-of-Way Being Added to Lease Premises

Motion by Vice Chair Hammond, seconded by Director Fernandez, to approve the Consent Agenda. The motion carried by the following vote:

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

Nays (0)

3. BOARD CHAIR REPORT

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

- Chair Silvyn acknowledged the passing of Emeritus Member Barbara Harper from cancer on April 26, 2023. Ms. Harper was involved in many aspects of aviation prior to and during her tenure as a TAA Member.
- Kim Allison joined the TAA as the new Vice President and Chief Financial Officer.
- The TAA Police Department was the only law enforcement agency from Southern Arizona to work with the 2023 Super Bowl security team.
- The Father’s Day Council Tucson selected Director Falbaum as one of its 2023 Father of the Year honorees.

4. PRESIDENT/CEO REPORT

a. State of the Industry | Update

President/CEO Danette Bewley reported the following:

- Bewley and other staff members traveled to Washington, D.C., to attend the Airports Council International Legislative Conference, where they met with members of Arizona’s congressional delegation. They addressed national aviation priorities in addition to the TAA’s priorities related to grant funding and some of the directives coming from the capital. She believed they made progress in communicating the priorities that need to be addressed in the five-year reauthorization bill for the Federal Aviation Administration (FAA). A further meeting with Senator Kyrsten Sinema’s office was scheduled for the following week.
- The FAA Administrator position has been vacant for 18 months, with the current nominee having withdrawn from consideration, which will start the process over. This lack of a permanent leader is concerning given that the FAA—due to staffing shortages—had begun asking airlines to reduce the number of flights.
- At Tucson International Airport (TUS), air capacity from November 2022 through March 2023 reflected an 18% increase year over year. Flight schedules for the summer and fall look very promising. Traffic is projected to recover to 2019 levels by the end of 2023 or the beginning of 2024.
- Air service staff attended Routes America and met with several airlines. Allegiant Airlines has expressed an interest in returning to the Tucson market. They also

spoke with representatives from JetBlue Airlines and Viva Aerobús, an ultra-low-cost carrier based in Mexico.

Board Discussion:

- ❑ **What is the status of Flair Airlines?** Bewley stated that Flair Airlines operates seasonally during the winter months; therefore, the airline has finished operations for the year. She acknowledged that Flair had challenges towards the end of the season. Some of their aircraft were repossessed according to news reports. Furthermore, an agent visited TUS to take possession of Flair’s aircraft. The TAA’s policy is to cooperate if an agent has the appropriate paperwork, but it does not facilitate the process or act in a way to harm its business partners. Flair has indicated that they are interested in returning next winter and increasing their service.

b. Strategic Plan | Update

Executive VP/COO Bruce Goetz referred the Board to the staff memo that was included in the agenda packet. He noted that staff continues to make significant progress under each of the four strategic plan initiatives and highlighted the following:

- ❑ Expand Prosperity: There is a continued slowdown in Section 163 land releases due to understaffing at the FAA.
- ❑ Upgrade to First Class Systems: Cyber security has been in the forefront during the past six months due to new mandates from the Transportation Security Administration (TSA). I.T. staff is working to implement upgrades to the TAA’s cybersecurity posture.

5. DISCUSSION/PRESENTATION

a. Member Advocacy Plan | Update

Chief Communications Officer Austin Wright presented an overview of the Membership Advocacy Plan, which is currently in development. The TAA’s primary advocacy goal is for Members to serve as vocal champions on the airport’s behalf in their professional and social organizations. The plan will be rolled out in three phases:

- ❑ **Phase 1 – Establish Key Messaging:** Community and Member surveys show that the TAA’s strongest talking point is its economic impact, which is \$8.3B to the Southern Arizona community. The goal is to ensure that TAA develops a consistent message for Members to share in the community.

- Phase 2 – Increase Member Education:** Once the messaging is solidified, Members will be provided with the tools necessary to be External Champions. This includes developing a central repository of information, brochures, fact sheets, etc.
- Phase 3 – Foster Member Participation:** The TAA will collaborate with Members in print media (editorials, newsletters, etc.), video marketing, and social media.

Staff will continue to provide updates as the plan continues to develop.

Chair Silvyn added that this initiative was the result of the Board realigning and streamlining the advisory councils to better support the Strategic Plan. This will provide those Members not currently serving on an advisory council with opportunities for engagement and to learn more about the TAA.

b. Airfield Safety Enhancement Project | Update

VP of Planning and Engineering Ken Nichols gave of a brief overview of the project timeline and the major milestones reached to date.

- The End-Around Taxiway (Design-Bid-Build 1) project is nearing completion. The remaining work will entail installing a Barrier Arresting Cable system, which will be completed later this summer.
- The South Lighting Vault (Guaranteed Maximum Price 1) is substantially complete and is currently in the grant closeout process.
- Drainage and other preparatory work has begun in order to lay the asphalt for the new Taxiway C. Temporary asphalt is also in place so that the area remains operational during construction.
- The general aviation runway will be closed beginning in the fall to allow for construction to begin on the new commercial service runway. The closure is anticipated to last for five years depending on anticipated levels of funding. The TAA has already begun to encourage general aviation operators to relocate to Ryan Airfield (RYN).

6. ACTION ITEMS

a. OUTBOUND BAGGAGE SYSTEM IMPROVEMENTS | BUDGET AMENDMENT:

There was no staff presentation regarding Item 6.a.

Board Discussion:

- How will the airline’s baggage operations be impacted during the construction?**
Bewley explained that the Board approved funding last year to improve the

outbound baggage system to prepare for Flair Airlines seasonal service. Southwest Airlines will use this belt system while theirs is being overhauled.

Motion by Treasurer Falbaum, seconded by Director Fernandez, to 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. The motion carried by the following vote:

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

Nays (0)

Motion by Vice Chair Hammond, seconded by Secretary Swaim, to 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. The motion carried by the following vote:

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

Nays (0)

7. DIVISION UPDATES

a. Operations

Executive VP/COO Bruce Goetz reported the following:

i. FAA FAR Part 139 Inspection

The annual inspection occurred in March. The onsite inspector found three minor issues related to one of the fueling vendors. Otherwise, he was extremely complimentary of the staff's professionalism and the overall condition and appearance of the airfield.

ii. FAA FAR Part 139 Triennial Drill

During the same week, the airport held a required safety drill involving a simulated aircraft fire on the field. Elements of the drill included fire control and the rescue and transportation of accident victims coordinated by the emergency operations center. The after-action report identified some areas of improvement, several of which have already been implemented. The remaining improvements will be phased in during the next six months.

Director Jackson left the meeting at 4:02 p.m.

b. Finance and Regulatory Administration

Director of Finance Clark Wager reported the following:

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

- Staff is working to finalize the FY22 financial statement audit with audit firm BeachFleischmann. The Board will receive a report during the board meeting in June 2023.
- Aviation activity continues to show a positive trend.
 - Landed weight year-to-date was 14.5% favorable to budget. Landed weight was 29.9% favorable to budget during the month of January.
 - The average load factor year-to-date was 80.1%. The average load factor was 69.6% during the month of January. This ratio was affected by the airlines using larger aircraft.
 - Passenger volume was slightly above budget (+0.3%) in January. Passenger traffic was 92% of pre-COVID levels during the month, and the airport is at 95% pre-COVID levels for the year to date.
- Financial results continue to be favorable, driven by strong landing fees, space rentals, concessions, parking, and rental cars.
 - Operating revenues were \$3.7M during the month of January, or 2.9% favorable to budget.
 - Operating revenues year-to-date were \$14.4M, or 4.3% favorable to budget.
 - The increase in parking rates which went into effect in November 2022 has been a significant factor in the strong revenues.
 - Rental car revenues—which had been abnormally high during the preceding two years—have begun to soften due to fluctuations in the economy and the car market in general.
- To date TAA has been awarded \$44.4M through the federal rescue programs: **CARES Act** (Coronavirus Aid, Relief, and Economic Security Act), **CRRSAA** (Coronavirus Response and Relief Supplemental Appropriations Act of 2021), and **ARPA** (American Rescue Plan Act of 2021). Of this amount, approximately 98% has been drawn down. The TAA has been using these funds to balance the airport system during the pandemic. Roughly \$23M of these funds remain to be used towards allowable expenses.

c. Planning and Engineering

In the interest of time, Chair Silvyn tabled the Planning and Engineering division update to the next Board meeting.

8. EXECUTIVE SESSION

- a. **Federal Aviation Administration Financial Review of TAA** (*Pursuant to A.R.S. § 38-431.03(A)(3) and (4)*).
- b. **TAA Cybersecurity Posture** (*Pursuant to A.R.S. § 38-431.03(A)(2) and (3)*).

Motion by Secretary Swaim, seconded by Vice Chair Hammond, to convene an executive session regarding Items 8.a and 8.b. The motion carried by the following vote:

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

Nays (0)

Chair Silvyn adjourned the public meeting, and the Board went into executive session at 4:15 p.m.

9. RETURN FROM EXECUTIVE SESSION

The executive session adjourned at 5:15 p.m. Chair Silvyn reconvened the public meeting at 5:16 p.m.

10. NEXT MEETING

Wednesday, June 7, 2024, 3:00 p.m. | Hybrid Meeting – TAA Board Room and Microsoft Teams

11. ADJOURN

There being no further business to discuss, Chair Silvyn adjourned the meeting at 5:16 p.m.

APPROVED BY:

Prepared by:

Phil Swaim, Secretary

Byron M. Jones, CMC, TAA Clerk

Date: _____

Date: _____

Date: June 14, 2023

To: Board of Directors
From: Byron M. Jones, TAA Clerk
Re: Appointments to the Nominating Council

Background:

A vacancy on the Nominating Council (the Council) was created by the recent resignation of Steve Cole. Mr. Cole was also serving as Vice Chair of the Nominating Council, leaving this position vacant as well.

The Bylaws set specific requirements for the Council’s composition. Of its seven members, two shall be former directors, two shall be current directors, and three shall be Members who have never served as a director ([TAA Bylaws, Article 10, Section 10.2](#)). Mr. Cole, having previously served on the Board of Directors, occupied a seat reserved for a former director. The Chair, pursuant to the Bylaws, has nominated a former director (Taunya Villicaña) to fill the remainder of Mr. Cole’s term. Furthermore, current Council Member Ellen Wheeler has agreed to serve as Vice Chair for the remainder of her term. The Board may act on these recommendations by its consideration and adoption of Resolution No. 2023-10, which is appended to this memorandum.

Strategic Plan | Analysis:

The Council is charged with finding, evaluating, and recommending new Members. Thus, it plays a fundamental role in the TAA’s strategic objective to “Create External TAA Champions” as it seeks to find Members who not only support the organization’s mission and vision but are also willing to be vocal champions for the TAA in the community.

Cost Analysis:

There is no significant cost to the TAA by making the recommended appointments.

Recommendation:

Adopt Resolution No. 2023-10 appointing a vice chair and a new member to the Nominating Council to fill a vacancy.

Attachments:

1. Resolution No. 2023-10
2. List of Advisory Councils (effective June 14, 2023)

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE TUCSON AIRPORT AUTHORITY, INC., APPOINTING A VICE CHAIR AND A NEW MEMBER TO THE NOMINATING COUNCIL TO FILL A VACANCY.

WHEREAS the Bylaws of the Tucson Airport Authority (“Bylaws”) provide that the Nominating Council (“Council”) shall be an advisory council to the Board of Directors (“Board”), and that the Council shall consist of seven members: Two former directors, two current directors, and three Members who have never served as a director; and

WHEREAS a vacancy in a position reserved for a former director was created by Vice Chair Steve Cole’s recent resignation from the Council; and

WHEREAS upon request by Board Chair Silvyn, Council Member Ellen Wheeler has agreed to serve as Vice Chair and TAA Member Taunya Villicaña, who served on the Board of Directors from 2015 through 2022, has agreed to fill the current vacancy through the remainder of Mr. Cole’s term, which expires April 5, 2024.

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

1. Council Member Ellen Wheeler is appointed Vice Chair of the Nominating Council effective June 14, 2023, through the end of her current term, which expires April 5, 2024, or until a qualified successor is appointed.
2. TAA Member Taunya Villicaña is appointed to the Nominating Council effective June 14, 2023, for a term commencing June 14, 2023, and expiring April 5, 2024, or until a qualified successor is appointed.
3. Any of the foregoing appointments shall terminate immediately should the incumbent cease to qualify to hold the position pursuant to Section 10.2 of the Bylaws prior to the expiration of their term.

PASSED AND ADOPTED by the Board of Directors of the Tucson Airport Authority, Inc., this 14th day of June, 2023.

Keri Silvyn, Chair of the Board

ATTEST:

APPROVED AS TO FORM:

Phil Swaim, Secretary

Christopher Schmaltz, Vice President
and General Counsel

Tucson Airport Authority Advisory Councils

(Advisory councils are appointed pursuant to Article 10 of the [Tucson Airport Authority Bylaws](#).)

Audit Council		
The objective of this council, pursuant to the Board-adopted Audit Council Policy, is to advise the TAA Board of Directors in fulfilling its oversight responsibility for the integrity of TAA's financial and operating results, compliance with legal and regulatory requirements related to financial reporting, and the performance of TAA's internal audit function and external auditors. The Audit Council has authority to conduct or authorize special audits and investigations into any matters within its scope of responsibility.		
	Term Start Date	Term End Date
David Smallhouse, Chair*	April 6, 2022	April 5, 2024
Tony Finley, Vice Chair	April 6, 2022	April 5, 2024
David Lyons	April 6, 2022	April 5, 2024
John Parker	April 6, 2022	April 5, 2024
Taunya Villicaña	April 6, 2022	April 5, 2024
Isaac Figueroa	April 6, 2022	April 5, 2024
Cristina Baena	April 6, 2022	April 5, 2024

*Active Membership extended to coincide with end of term date on advisory council

Corporate Governance Council		
The objective of this council is to advise the TAA Board of Directors in fulfilling its oversight responsibility regarding corporate governance, including Board and Membership duties, policies, and practices; TAA Articles of Incorporation; Bylaws; and other significant policies.		
	Term Start Date	Term End Date
Todd Jackson, Chair	April 6, 2022	April 5, 2024
David Hameroff, Vice Chair	April 6, 2022	April 5, 2024
Michael Duran	April 6, 2022	April 5, 2024
Larry Lang	April 6, 2022	April 5, 2024
Francis Chambers	April 6, 2022	April 5, 2024
Tim Medcoff	April 6, 2022	April 5, 2024
Trindy LeForge	April 6, 2022	April 5, 2024

Finance and Risk Management Council | Environmental/Sustainability Sub-Council

The objective of this council is to advise the TAA Board of Directors in fulfilling its oversight responsibility relating to TAA investment and fund management, debt issuance and management, annual and biennial budgets, annual capital improvement program budget, insurance, and safety and risk management programs.

The objective of the Sub-Council is to advise the TAA Board of Directors in fulfilling its oversight responsibility concerning the ongoing environmental remediation projects and other activities related to the Tucson Airport Area Superfund Site.

	Term Start Date	Term End Date
Tim Overton, Chair	April 6, 2022	April 5, 2024
Omar Mireles, Vice Chair	April 6, 2022	April 5, 2024
Rob Draper	April 6, 2022	April 5, 2024
Ricardo Platt	April 6, 2022	April 5, 2024
Mike Hannley*	April 6, 2022	April 5, 2024
Angela Gee	April 6, 2022	April 5, 2024
Tony Penn	April 6, 2022	April 5, 2024

*Active Membership extended to coincide with end of term date on advisory council

Nominating Council

The objective of this council, which is set forth in the Bylaws, is to nominate individuals for TAA membership, to nominate TAA Members to serve on the Board of Directors, to nominate a slate of Board Officers and to suggest nominees to fill any vacancies on the Board. Members of this council are selected pursuant to TAA Bylaws.

The Council roster shall include two (2) former Directors, two (2) current Directors who are not the Chair of the Nominating Council or Vice Chair of the Nominating Council, and three (3) Members who have never served as Directors. Nominating Council Members are not eligible to be nominated for a first term on the Board of Directors.

	Term Start Date	Term End Date	Bylaw Requirement
Lisa Lovallo, Chair	April 6, 2022	April 5, 2024	Former director
Ellen Wheeler, Vice Chair**	April 6, 2022	April 5, 2024	Member
Taunya Villicaña**	June 14, 2023	April 5, 2024	Former director
Phil Swaim	April 6, 2022	April 5, 2024	Current director
Rhonda Piña	January 23, 2023	January 22, 2025	Current director
Brandt Hazen	January 23, 2023	January 22, 2025	Member
Carol Stewart	January 23, 2023	January 22, 2025	Member

** Pending Board approval.

Date: June 14, 2023

To: Board of Directors
From: Bruce Goetz, Executive Vice President/COO
Re: TAA Strategic Plan 2.1 | Period ending April 30, 2023

TAA staff has been 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 for the months of March and April; however, I want to highlight a few specific items since our last report at the April Board meeting.

1. Accelerate Performance

- a. In January, TAA leadership determined it was best to postpone the Director Development as our staff resources were diverted to address federal mandates, i.e., Cybersecurity, FAA Audit. In April, TAA restarted the Director Development Program. The key areas being taught include Financial Management, Emotional Intelligence, Influence, Project Management, Systems Thinking and Unconscious Bias.
- b. To manage resources, it is necessary to understand factors involving attrition. At TAA, three areas have been identified: talent competition, leadership engagement, and compensation equity. For compensation, TAA continues to look at inequities within all job areas and proactively make pay adjustments as the budget allows. We are also bringing in new employees at the appropriate market rate, and making any adjustments within the team to reduce compression as the budget allows.

2. Expand Prosperity

The FAA process to permit effective use of TAA land continues to hinder our efforts to quickly respond to developers who are interested in a lease or purchase of TAA land. Although the process is slower than we would like, the TAA continues its efforts to lease/develop non-aeronautical land at TUS and RYN.

A few notable updates include:

- a. The FAA has completed the Section 163 review of the Sonora South Parcel. This parcel, located south of Old Vail Connection, is prime for the development of solar arrays. With the FAA's clearance, TAA has advertised the land as available for development. Currently 6 companies have expressed interest. TAA will entertain competitive bids through July 2023.

- b. The Sonora North/Country Club Environmental Assessment continues to progress. TAA views the area south of Corona Road as a prime mix of aeronautical and non-aeronautical development for the community. This near 800 acres of land would host non-aeronautical logistics industry growth and aeronautical (MRO) growth.
- c. The TAA and airlines have agreed to the terms of the Airline Use Agreement. A fully executed amendment extension for FY24 expected in advance of (October 1, 2023).

3. Upgrade to First Class Systems and Efficiencies

- a. Sustainability: Data collection for the Baseline Sustainability Study document is complete. Seven individual reports will be prepared documenting existing conditions. Preparation of the Sustainability Master Plan document has started. Internal working groups are scheduled through the next quarter to develop goals and initiatives.
- b. Technology: Many of the items identified in the Technology Roadmap are currently being scoped for consideration in the FY24 budget. These include an Enterprise Resource Planner (ERP), an Airport Management System designed for airport record keeping and new Project Management software.
- c. Cybersecurity: The IT staff have been busy during the months of March and April completing the required Action Plans, Assessments, and other required items to fulfill the requirements of this Security Directive that are due in June. New TSA Cybersecurity requirements are constantly changing, and we must remain flexible to combat this evolving threat. (Please note that TSA mandates are unfunded).

4. Create TAA External Champions

- a. Air Service: The TAA continues to communicate with airlines and work to optimize flight schedules and offer new nonstop destinations. Alaska Airlines recently announced they will start nonstop service between TUS and SNA (Orange County, CA). There continues to be increased capacity at TUS as airlines fly larger aircraft, most notably Delta Air Lines has announced that they will upgrade their Seattle route to an Airbus A320 from a smaller A220 aircraft starting this fall.
- b. Community Engagement: Austin Wright, Chief Communications Officer, was appointed to the Board of Directors for Visit Tucson; this appointment will further solidify an important partnership between our two organizations. The TAA continues to support strong community partnerships with community organizations, including the Tucson Roadrunners, FC Tucson, the Jazz Festival, PACC and ON Media. These local partnerships continue to thrive and support mutual business development trends for the greater Tucson community and our airport.
- c. Board and Membership – Advocacy Planning: The TAA Marketing and Strategic Communications team has developed a final draft of the Community Value Proposition (CVP) based on results from research conducted 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. The final CVP is being utilized to update strategic messaging, in collaboration with our marketing/branding consultant. Advocacy messaging is in process and will be ready for roll out in the near future.



TAA PLAN 2023 PLAN



ACCELERATE PERFORMANCE

Goal	Owner	Q4 '22	Q1 '23	Q2 '23	Q3 '23	Current Co...	Board Update
Leverage and implement the TAA Learning Strategy	Twyla Salaiz					On Track	<p>NEW Twyla Salaiz: Kicked off the Director Development program that continues through the end of the year. Key skill areas in the program are senior level capability in Airport Financial Management, Emotional Intelligence, Influence, Project Management, System's Thinking, and Unconscious Bias. Built into the program is application and executive relationships to build relationsthe learning strategy, new leaders participate in management essential courses within 6 months of arrival to maintain alignment on hiring and performance management practices.</p> <p>05/24/2023</p>
Increase efficiency of People Operations talent processes	Twyla Salaiz					On Track	<p>NEW Twyla Salaiz: As we progress to an engaged culture, we are reviewing all processes managed by People Operations with overarching employee implications. Our priority is to align job descriptions requirements and pre-employment testing requirements, to ensure equitable hiring practices and being cost effective in our hiring process. In completing this work, it has driven us to update related policies and offer management training in support of these changes.</p> <p>05/24/2023</p>
Evaluate causes of attrition and implement retention strategies	Twyla Salaiz					On Track	<p>NEW Twyla Salaiz: In analyzing attrition causes, three areas have been identified; talent competition, leadership engagement, and compensation equity. While the direct connection between an employee and his/her direct supervisor is strong, we have discovered employees feel disconnected from leaders higher the organizational structure. Several steps have been taken to address this including understanding from employees how senior leaders better flow information, focus groups on how to better connect with areas around the airport and middle leadership, and ET spending more time walking around work areas to talk with employees informally. For compensation, we continue to look at inequities within all job areas and proactively make pay adjustments. We are also bringing in employees at the appropriate market rate, making any adjustments within the team to reduce compression.</p> <p>05/24/2023</p>

Goal	Owner	Q4 '22	Q1 '23	Q2 '23	Q3 '23	Current Co...	Board Update
TAA is a "Great Place To Work"	Twyla Salaiz					On Track	<p>NEW Twyla Salaiz: Being within 2 years of our goal of Great Place to Work certification, we continue to pulse survey the employee population to determine levels of engagement. In preparation for the June Employee Engagement Survey, we held focus groups on the best way to administer the survey to get the highest response rate. Focus team member suggestions will be incorporated in the survey launch plan along with survey questions provided by employees. Our efforts in achieving this employee centric culture has been recognized by MarshMcLennan as the small Arizona Employer which has the Best Practices in Mental/Emotional Well Being offered to employees.</p> <p>03/07/2023</p>

EXPAND PROSPERITY

Goal	Owner	Q4 '22	Q1 '23	Q2 '23	Q3 '23	Current Co...	Board Update
Commercial Development Plan and Marketing	John Voorhees					On Track	<p>NEW John Voorhees: Section 163 Reviews have been completed on two parcels of land owned by TAA. A small parcel of Sonora North was cleared for development by the FAA having found no further federal action needed in their assessment. This clears the way for Ascent Aviation to complete the construction of their Permanent Engine Test facility. The new construction will remove Ascent Aviation from the A-17 runup ramp and permit increased aircraft activity in that space. The FAA also reviewed the Sonora South Parcel. This parcel, located south of Old Vail Connection, is prime for the development of solar arrays. With the FAA's clearance TAA has begun advertising the land as available for development. Currently 6 companies have expressed interest. TAA will entertain competitive bids through July 2023. Staff will then select the successful bid and begin the development process-pending Board approval of the business terms.</p> <p>05/23/2023</p>

Goal	Owner	Q4 '22	Q1 '23	Q2 '23	Q3 '23	Current Co...	Board Update
Shovel Ready Infrastructure (both TAA land and our utility and community partners)	John Voorhees					On Track	<p>NEW John Voorhees: TAA staff continue to work with the local community to advocate for infrastructure projects that benefit development around the airport.</p> <p>Tucson Water has designed and is now contracting for expanded water line service along Alvernon Way. The area will be served by a 24 inch pipe where there was none before. This water line will feed TUS via Aeronautical Way on the east side of the airport near our MRO 50 and other green site parcels. This will bring necessary water service to enable industrial growth in the area.</p> <p>Tucson Electric Power (TEP) and TAA are negotiating terms for a new easement to bring 46KV power to the far western side of Sonora West (Aerospace Parkway). The line is to facilitate development of the new American Battery Factory campus. However, this will increase capacity for existing TEP lines to serve TAA projects in the area. TEP is one of six parties interested in developing Sonora South (near Old Vail Connection) for a large-scale photo-voltaic array.</p> <p>ADOT has re-initiated discussion of the Sonoran Corridor Tier II EIS. Once fully funded the EIS will address the potential construction of the cross town highway partially on TAA land. TAA supports the construction of the highway as it will add needed value to the undeveloped land along Old Vail Connection Rd. Also, TAA continues to advocate the importance of the ADOT planned I-10 / Country Club exit, and potential improvements to S Country Club. This will provide another way to access TUS.</p> <p>The Sonora North/Country Club Environmental Assessment continues to progress. TAA sees the area south of Corona Road as a prime mix of aeronautical and non-aeronautical development for the community. This near 800 acres of land would host non-aeronautical logistics industry growth, aeronautical (MRO) growth, and could serve as the future secondary entrance to TUS.</p> <p>The Business and Commercial Development and Planning and Engineering divisions are making progress to rezone the industrial area of TUS along Plumer road. The current Mixed Use zoning is insufficient for industrial growth in the area. TAA staff desire to rezone the area to accommodate industrial activity in the region. This is compatible with the neighboring zoning restrictions and would permit existing and new TAA tenants to expand their operations. Of note, Million Air and Atlantic Aviation require the zoning change before they can continue their expansion plans.</p> <p><i>05/23/2023</i></p>
Negotiate Airline Use Agreement	Austin Wright					On Track	<p>NEW Austin Wright: Work began on the AUA in early 2022. The TAA and airlines have agreed in principle to extension terms with a fully executed amendment extension for FY24 expected to be in place well in advance of fiscal year 24. Meetings are happening on a regular cadence with the airlines. Updated rates and charges have been discussed and presented without disagreement for the extended AUA.</p> <p><i>05/25/2023</i></p>

Goal	Owner	Q4 '22	Q1 '23	Q2 '23	Q3 '23	Current Co...	Board Update
Expand Air Service Development Options	Austin Wright					On Track	<p>NEW Austin Wright: Numerous meetings have been held with airlines including attending a national air service conference in Chicago. As a result of these meetings, TAA secured a new nonstop route to Orange County, California. This new service will start December of 2023 on Alaska Airlines. We continue to communicate with airlines and work to both optimize flight schedules and offer new nonstop destinations. We have continued to see increased capacity in TUS as airlines fly larger aircrafts, most notably Delta Air Lines has announced that they will upgrade their Seattle route to an Airbus A320 starting this fall.</p> <p>05/25/2023</p>

UPGRADE TO FIRST CLASS SYSTEMS AND EFFICIENCIES

Goal	Owner	Q4 '22	Q1 '23	Q2 '23	Q3 '23	Current Co...	Board Update
Complete Sustainability Master Plan	Ken Nichols					On Track	<p>NEW Ken Nichols: Data collection for Baseline Sustainability Study document is complete. Seven individual reports will be prepared documenting existing conditions. Preparation of the Sustainability Master Plan document has started. Internal working groups are scheduled through the next quarter to develop goals and initiatives.</p> <p>05/25/2023</p>
Scope Enterprise Documentation Strategy	Bruce Goetz					Behind	<p>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.</p> <p>03/07/2023</p>
TAA Cyber Security Plan	Bruce Goetz					On Track	<p>NEW Bruce Goetz: As of December 2022, the TSA issued a Security Directive (SD) for all FAR Part 1542 regulated airports to comply with new Cybersecurity mandates. The TSA's shift towards a more regulated Cybersecurity posture reflects the increasing threat that the world now faces from hackers.</p> <p>The IT staff have been focused during the months of March and April completing required Action Plans, Assessments and other required items to fulfill the requirements of this Security Directive that are due in June.</p> <p>New TSA Cybersecurity requirements are constantly changing and we will continue to flex as necessary to combat this evolving threat.</p> <p>05/25/2023</p>
Establish a technology roadmap to meet all stakeholder needs	Bruce Goetz					On Track	<p>NEW Bruce Goetz: With the technology roadmap complete, staff has been focused on implementing some near term priorities to address Cybersecurity needs.</p> <p>Many of the items identified in the technology roadmap are currently being scoped for consideration in the FY24 budget. These include an Enterprise Resource Planner (ERP), an Airport Management System built for airport record keeping and new Project Management software.</p> <p>05/25/2023</p>

CREATE EXTERNAL TAA CHAMPIONS

Goal	Owner	Q4 '22	Q1 '23	Q2 '23	Q3 '23	Current Co...	Board Update
Determine and activate a Community Value Proposition based on community survey results	Austin Wright					On Track	<p>NEW Austin Wright: In collaboration with marketing consultants, the TAA Marketing and Strategic Communications team has developed a final draft of the Community Value Proposition (CVP) based on results from research performed 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.</p> <p>The final CVP is being 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.</p> <p>05/25/2023</p>
Continue outreach and partnerships within the tourism sector	Austin Wright					On Track	<p>NEW Austin Wright: Austin Wright, Chief Communications Officer and Brian Kidd, Air Service Development Director hold regular meetings with visit Tucson to ensure collaboration as we work to build upon strong community relationships to enrich our air service offerings. In addition, Austin Wright joined the Board of Directors of Visit Tucson. We continue to support strong community partnerships with community organizations including the Tucson Roadrunners, FC Tucson, the Jazz Festival, PACC and ON Media. Our local partnerships continue to thrive and support mutual business development trends for the greater Tucson community and our airport.</p> <p>05/25/2023</p>
Identify and cultivate Member Value Proposition with an accompanying advocacy plan for membership engagement opportunities	Austin Wright					On Track	<p>NEW Austin Wright: The Marketing and Strategic Communications department continues to partner with the CEO to finalize the Member Value Proposition (MVP). An initial presentation was made to the Board of Directors in April 2023 on the initial findings of our proposed MVP.</p> <p>05/25/2023</p>

Date: June 14, 2023

To: Board of Directors
From: John Voorhees, Vice President/Chief Revenue Officer
Re: Rent-A-Car Contract Extensions

Background:

Tucson Airport Authority's (TAA) current Rent-A-Car (RAC) contracts expire on July 31, 2023. The Request for Bids (RFB) for the upcoming five-year contract period have been advertised through the TAA RFB process. TAA management will identify the successful bidders by July 2023. Upon identifying the successful bidders, the President/CEO will request Board authorization to enter into new five-year agreements with the rental car companies.

During the bid process, several of the bidding companies requested an extension to the timeline to prepare adequate packages. Accommodating this request will delay the timeline to complete a new contract beyond the expiration date in July.

Strategic Plan | Analysis:

This effort is part of TAA's Strategic Initiative to increase airport revenue and contribute to TAA's self-sustaining financial system strategy (Expanding Prosperity). The TAA staff are working with the business community to develop a process and products that will yield the greatest benefit to the airport system.

Cost Analysis:

TAA will not incur any additional cost by extending the existing contract with the RAC agencies. In fact, through thorough analysis of the airport's current contract, staff identified sources of additional revenue that will be included in this bid process.

For purposes of better aligning the new RAC contracts with the TAA's fiscal year, which begins October 1 and to provide a sufficient amount of time to complete the competitive solicitation process for the RAC contracts and execute the new agreements, TAA staff requests to extend the current RAC contracts on a month-to-month basis not to exceed a six (6) month period.

The projected revenue for this period of time is estimated to be \$733,533 per month. There is a Consumer Price Index rate adjustment scheduled in August as part of the current lease provisions which will carry over with the extension. This will positively impact the projected revenue.

Recommendation:

Adopt Resolution No. 2023-11 authorizing the President/CEO (or her designee[s]) to enter into amendments to extend the Rent-A-Car contracts on a month-to-month basis not to exceed a six (6) month period.

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE TUCSON AIRPORT AUTHORITY, INC., AUTHORIZING THE PRESIDENT/CEO (OR HER DESIGNEE[S]) TO ENTER INTO AMENDMENTS TO EXTEND THE RENT-A-CAR CONTRACTS ON A MONTH-TO-MONTH BASIS NOT TO EXCEED A SIX (6) MONTH PERIOD.

WHEREAS the Tucson Airport Authority (TAA) is in the process of soliciting Requests for Bid to replace the current Rent-A-Car (RAC) contracts which expire July 31, 2023; and

WHEREAS several of the bidding companies have requested extensions to prepare their bid packages, with such a delay causing the bid process to extend beyond the expiration of the current contracts; and

WHEREAS it is in the TAA’s best interests to receive bid packages from all interested 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[s]) is authorized to execute amendments to extend the current Rent-A-Car contracts on a month-to-month basis for a period not to exceed six months.

PASSED AND ADOPTED by the Board of Directors of the Tucson Airport Authority, Inc., this 14th day of June, 2023.

Keri Silvyn, Chair of the Board

ATTEST:

APPROVED AS TO FORM:

Phil Swaim, Secretary

Christopher Schmaltz, Vice President
and General Counsel

Date: June 14, 2023

To: Board of Directors
From: John Voorhees, Vice President/Chief Revenue Officer
Re: Ascent Aviation Services, LLC Lease Terms

Background:

Tucson Airport Authority (“TAA”) and Ascent Aviation Services, LLC (“Ascent”) have negotiated business terms for the development of two acres of land within TUS airport property. Ascent has been subcontracted to conduct warm weather, long-term engine testing for the Pratt and Whitney Canada Company, a division of the Raytheon Technologies Company. The land will be developed to create a permanent engine test facility.

Ascent currently operates a temporary engine test facility located on the A-17 ramp on the east side of the airport. This ramp was not designed or intended to house a static engine test facility. The presence of the test center limits the capacity of the ramp for its intended purpose and complicates scheduling large aircraft parking on the ramp. The A-17 ramp is also used for irregular operations and emergencies. TAA staff have sought to relocate the operation for the past two years, but operational schedules and business realignments have hindered progress until now.

The proposed site is mostly open to the environment, as a critical component of the testing regimen. The site will consist of two engine test stands, a control room, acoustic test microphones for sound engineering phase testing, restroom facilities, various support apparatus, and parking lot spaces.

TAA has conducted the appropriate level of environmental research and analysis to satisfy FAA National Environmental Policy Act (NEPA) requirements. The FAA found that there was no further federal action required. TAA can proceed with the development. As an open-air site, operating aircraft engines, TAA evaluated the impact of noise on the area. The noise of the site will remain within the current noise contours of the airport. There is no other anticipated environmental concern with the engine test operation. The tenant will be responsible for mitigating all other planning and construction related issues as part of the normal permitting process with the City of Tucson.

Strategic Plan | Analysis:

This lease will support TAA’s Strategic Initiative to increase airport revenue and contribute to TAA’s self-sustaining financial system strategy (Expanding Prosperity). Ascent is a long-term tenant of TUS and a valued partner in the aviation industry. This line of business saved nearly 30 jobs from a company that went out of business. Ascent has provided jobs for the community and additional lease revenue to the TAA.

Cost Analysis:

TAA proposed a ten (10) year lease (“Initial Term”), and extension option of one additional period of five (5) years. The business terms include a lease rate of \$.35 per square foot / per year with a biennial CPI rate adjustment. This amounts to a yearly rental revenue of \$30,492.00. Over the life of the initial term, TAA would realize approximately \$305,000 in revenue (not including CPI adjustments). The TAA is responsible for bringing electrical and water utilities to the site boundary. The estimated total cost for the project is \$187,808 and will be included as a line item in the FY 24 Budget. The FY 24 budget will come to the Board of Directors in early September 2023.

The primary benefit of this effort is to increase revenue received into the airport system. The second order benefit of the improvements will be to remove the temporary site from A-17, and to further develop future sites in the area.

Recommendation:

Adopt Resolution No. 2023-12 authorizing the President/CEO (or her designee[s]) to execute a new ground lease with Ascent Aviation for the construction of a permanent engine test facility, subject to key business terms.

Attachments:

Resolution No. 2023-12

- Exhibit A: Key Business Terms
- Exhibit B: Engine Test Pad – Aerial Overview

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE TUCSON AIRPORT AUTHORITY, INC., AUTHORIZING THE PRESIDENT/CEO (OR HER DESIGNEE[S]) TO EXECUTE A NEW GROUND LEASE WITH ASCENT AVIATION FOR THE CONSTRUCTION OF A PERMANENT ENGINE TEST FACILITY, SUBJECT TO KEY BUSINESS TERMS.

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

The President/CEO (or her designee[s]) is authorized to execute a new ten-year ground lease with Ascent Aviation Inc. for the purpose of constructing a permanent engine test facility, on the TAA -owned property depicted in the attached Exhibit B, subject to the key business terms summarized in the attached Exhibit A.

PASSED AND ADOPTED by the Board of Directors of the Tucson Airport Authority, Inc., this 14th day of June, 2023.

Keri Silvyn, Chair of the Board

ATTEST:

APPROVED AS TO FORM:

Phil Swaim, Secretary

Christopher Schmaltz, Vice President
and General Counsel

Exhibit A

**Ascent Aviation Inc.
New Ground Lease Agreement (“Lease”)**

Key Business Terms:

Date:	June 14, 2023 (valid for 90 days)
Agreement Type:	Ground Lease
Landlord:	Tucson Airport Authority, Inc. (TAA)
Tenant:	Ascent Aviation Inc. (Tenant)
Premises:	2 Acre parcel to be developed for engine test facility.
Project Description:	Construct an engine test facility, ETF (as depicted in Exhibit B). Enter into ground lease for the subject parcel.
Lease Term:	Ten (10) years. With a possible 5-year extension.
Rent Commencement Date:	As soon as ETF becomes available for beneficial occupancy.
Base Rent:	$\$.35/\text{SF} \times 87120 \text{ SF} = \$30,492.00/\text{year} (\$2,541.00/\text{month})$.
Rate Adjustments:	Rent will be adjusted every two years in accordance with the Consumer Price Index. It will never be adjusted downward.
Taxes:	The Tenant will be responsible to pay for all applicable taxes regarding the construction project.
Site Development:	<ul style="list-style-type: none">○ Tenant will develop the engine test facility at tenant’s expense.○ Tenant will submit construction plans to TAA via the Tenant Improvement Review Panel (TIRP).○ Tenant will seek all municipal permitting requirements at tenant’s expense.○ TAA will seek all appropriate FAA approvals to facilitate the establishment of the engine test facility operation.

- TAA will provide utilities (Electrical and water only) to the site boundary.

MX Responsibilities:

Tenant will be responsible for the maintenance of the engine test facilities under this agreement.

TAA will be responsible for the maintenance of airport infrastructure to support the engine test operation.

TAA Approval of Terms:

Lease terms are subject to approval of TAA’s Board of Directors.

Exhibit B

Engine Test Pad – Aerial Overview



Date: June 7, 2023

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

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

- Tucson Airport Authority generated operating income before depreciation and amortization of \$1,224,564 for March 2023, which is \$665,620 favorable to budget due to favorable operating revenues described below.

Operating Revenues (YTD vs budget):

- In March, operating revenue of \$4,448,649 is favorable to budget by \$627,884 or 16.4% and favorable to prior year by \$384,952 or 9.5%. The increase from prior year is largely due to increased concession revenues and reimbursed services revenues. Operating revenues for the month were up \$161,610 (3.8%) compared to March 2019 (pre-COVID) largely due to decreased space rental revenues.
- Year-to-date operating revenues were greater than budgeted by \$1,801,488 or 8.5%, with favorable variances in all revenue categories, with the exception of reimbursed services.

Operating Expenses (YTD vs budget):

- In March, total operating expenses were less than budget by \$37,737 or 1.2%. Contractual services expenses and other operating expenses were less than budget for the period, partially offset by materials and supplies expenses and personnel expenses, which were greater than budgeted. We are implementing several strategies to manage our total 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 \$19,524,799 are favorable to budget by \$791,597 or 3.9%. All operating expense categories are lower than budgeted, with the exception of personnel expenses. Contractual services expenses drive the majority of the favorable variance.

FINANCIAL SUMMARY



For the six months ending March 31, 2023

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

	CURRENT MONTH - March 2023			March 2022	PRE-COVID March 2019
	BUDGET	ACTUAL	FAV (UNFAV)	ACTUAL	ACTUAL
OPERATING REVENUES:					
Landing fees	222,428	267,682	45,254	238,786	\$ 304,210
Space rentals	887,467	949,601	62,134	888,994	1,269,010
Land rent	304,166	289,332	(14,834)	304,804	292,567
Concession revenue	1,851,520	2,284,249	432,730	2,057,190	1,856,488
Reimbursed services	266,816	329,919	63,103	199,676	290,697
Other operating revenues	288,369	327,866	39,497	374,245	274,067
Total Operating Revenues	3,820,765	4,448,649	627,884	4,063,696	4,287,039
OPERATING EXPENSES:					
Personnel expenses	2,046,855	2,086,585	(39,730)	1,798,507	1,628,264
Contractual services	870,228	722,637	147,591	675,164	398,049
Materials and supplies	198,149	306,559	(108,410)	197,842	111,964
Other operating expenses	146,589	108,304	38,285	80,155	58,758
Total Operating Expenses	3,261,821	3,224,085	37,737	2,751,668	2,197,035
NET OPERATING INCOME (LOSS) BEFORE DEPRECIATION AND AMORTIZATION	558,944	1,224,564	665,620	1,312,028	2,090,004
Depreciation and Amortization	1,763,217	1,771,068	(7,851)	(432,676)	1,505,124
OPERATING INCOME (LOSS)	(1,204,273)	(546,504)	657,769	1,744,704	584,880
NONOPERATING INCOME (EXPENSES)					
Interest Income	43,868	174,099	130,231	37,650	264,292
Net increase/(decrease) in fair value of investments	-	1,196,170	1,196,170	(1,582,325)	272,549
Passenger facility charges	722,958	921,943	198,985	792,622	702,822
Interest expense and fiscal charges	(59,410)	(59,410)	(0)	(67,163)	(94,283)
Gain/(Loss) on disposition of capital assets	-	-	-	3,250	-
Other nonoperating revenues (expenses)	-	(23,929)	(23,929)	(25)	13,911
Total nonoperating revenues (expenses)	707,416	2,208,873	1,501,456	(815,991)	1,159,291
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(496,857)	1,662,369	2,159,225	928,712	1,744,171
CAPITAL CONTRIBUTIONS:					
Federal	3,680,928	1,092,318	(2,588,610)	-	388,190
State	54,372	10,619	(43,753)	(0)	9,036
Total capital contributions	3,735,300	1,102,937	(2,632,362)	(0)	397,226
INCREASE (DECREASE) IN NET POSITION	\$ 3,238,443	2,765,306	\$ (473,137)	\$ 928,712	\$ 2,141,397

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

For the six months ending March 31, 2023

	CURRENT YEAR TO DATE - March 2023			YTD - March 2022	PRE-COVID YTD - March 2019
	BUDGET	ACTUAL	FAV (UNFAV)	ACTUAL	ACTUAL
	OPERATING REVENUES:				
Landing fees	\$ 1,229,776	\$ 1,444,905	\$ 215,129	\$ 1,324,829	\$ 1,641,116
Space rentals	5,338,454	5,647,478	309,024	5,406,497	7,510,277
Land rent	1,824,999	1,843,909	18,910	1,841,334	1,762,537
Concession revenue	9,557,952	10,786,136	1,228,184	9,562,894	9,546,138
Reimbursed services	1,600,894	1,502,839	(98,055)	1,414,997	1,511,520
Other operating revenues	1,636,519	1,764,815	128,296	1,817,868	1,520,017
Total operating revenues	21,188,594	22,990,082	1,801,488	21,368,419	23,491,605
OPERATING EXPENSES:					
Personnel expenses	12,354,574	12,728,638	(374,064)	10,814,235	10,234,523
Contractual services	5,605,779	4,524,772	1,081,007	4,054,437	2,866,075
Materials and supplies	1,399,656	1,338,593	61,063	909,889	706,155
Other operating expenses	956,387	932,796	23,591	554,893	491,996
Total Operating Expenses	20,316,396	19,524,799	791,597	16,333,454	14,298,749
NET OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION	872,198	3,465,283	2,593,085	5,034,965	9,192,856
Depreciation and Amortization	10,579,299	10,652,600	(73,301)	10,075,523	9,134,378
OPERATING INCOME (LOSS)	(9,707,101)	(7,187,317)	2,519,784	(5,040,558)	58,478
NONOPERATING REVENUES (EXPENSES):					
Interest Income	263,211	675,281	412,070	233,631	1,411,404
Net increase/(decrease) in fair value of investments	-	2,088,843	2,088,843	(3,970,269)	1,134,313
Passenger facility charges	3,838,152	3,663,753	(174,399)	3,421,311	3,567,288
Interest expense and fiscal charges	(356,460)	(356,460)	(0)	(402,981)	(565,700)
Gain/(Loss) on disposition of capital assets	-	-	-	3,250	9,628
Other nonoperating revenues (expenses)	-	(143,177)	(143,177)	(554)	46,689
Total nonoperating revenues (expenses)	3,744,903	5,928,241	2,183,338	(715,612)	5,603,622
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(5,962,198)	(1,259,076)	4,703,122	(5,756,170)	5,662,100
CAPITAL CONTRIBUTIONS:					
Federal	22,085,568	1,093,776	(20,991,793)	3,039,507	425,262
State	326,229	49,846	(276,383)	102,260	11,174
Total capital contributions	22,411,797	1,143,621	(21,268,176)	3,141,767	436,436
INCREASE (DECREASE) IN NET POSITION	\$ 16,449,599	\$ (115,455)	\$ (16,565,054)	(2,614,403)	6,098,536
TOTAL NET POSITION, (BEGINNING)		470,816,568		442,699,306	386,970,849
TOTAL NET POSITION, (ENDING)		\$ 470,701,113		\$ 440,084,903	\$ 393,069,385

**TUCSON AIRPORT AUTHORITY
STATEMENT OF NET POSITION**

ASSETS	March-23	March-22
CURRENT ASSETS		
Unrestricted assets:		
Cash and cash equivalents	34,619,195	12,480,669
Investments	95,858,643	115,254,881
Accounts receivable, net of allowance for doubtful accounts of \$549,326 and \$257,121 for FY2023 and FY2022, respectively	6,316,838	3,065,663
Accrued interest receivable	238,279	104,413
Grants receivable	3,365,672	6,017,716
Short-Term lease receivable	5,040,303	5,125,804
Inventories	445,747	400,402
Prepaid expenses and other assets	618,162	528,000
Total unrestricted current assets	<u>146,502,839</u>	<u>142,977,548</u>
Restricted assets:		
Cash and cash equivalents	6,237,638	1,895,796
Investments	20,385,477	22,360,105
Accounts receivable	1,126,562	735,284
Accrued interest receivable	57,772	31,902
Total restricted current assets	<u>27,807,449</u>	<u>25,023,087</u>
Total current assets	<u>174,310,288</u>	<u>168,000,635</u>
Noncurrent assets:		
Unrestricted assets:		
Long-Term lease receivable	80,137,980	85,421,232
Capital assets		
Not depreciated	151,472,137	127,634,762
Depreciated, net	211,344,570	214,935,336
Net capital assets	<u>362,816,707</u>	<u>342,570,098</u>
Total unrestricted noncurrent assets	<u>442,954,687</u>	<u>427,991,330</u>
Total noncurrent assets	<u>442,954,687</u>	<u>427,991,330</u>
TOTAL ASSETS	<u>617,264,975</u>	<u>595,991,965</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows from pensions	5,570,447	4,180,444
Total deferred outflows of resources	<u>5,570,447</u>	<u>4,180,444</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>622,835,422</u>	<u>600,172,409</u>

**TUCSON AIRPORT AUTHORITY
STATEMENT OF NET POSITION**

LIABILITIES & NET ASSETS (Con't)

LIABILITIES

CURRENT LIABILITIES

Payable from unrestricted assets:

	<u>March-23</u>	<u>March-22</u>
Accounts payable	880,121	616,352
Accrued expenses	2,865,779	1,629,551
Unearned revenue	1,396,648	1,209,286
Construction contracts payable	-	1,929,956
Current portion of environmental remediation payable	2,127,906	2,537,693
Current portion of bonds payable:		
Airport Subordinate Lien Revenue Bonds, Series 2018	1,610,000	1,565,000
Total payable from unrestricted assets	<u>8,880,454</u>	<u>9,487,838</u>

Payable from restricted assets

Accrued interest payable:

Airport Subordinate Lien Revenue Bonds, Series 2018	-	-
	<u>-</u>	<u>-</u>

Current portion of environmental remediation payable	572,412	392,447
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Total payable from restricted assets	<u>572,412</u>	<u>392,447</u>
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Total current liabilities	<u>9,452,866</u>	<u>9,880,285</u>
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NONCURRENT LIABILITIES

Payable from unrestricted assets

Bonds payable, net of current portion:

Airport Subordinate Lien Revenue Bonds, Series 2018	20,163,396	23,471,138
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Net pension liability	20,073,068	11,019,309
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Environmental Remediation Payable, net of current portion	16,520,990	17,849,926
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Total payable from unrestricted assets	<u>56,757,454</u>	<u>52,340,373</u>
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Total noncurrent liabilities	<u>56,757,454</u>	<u>52,340,373</u>
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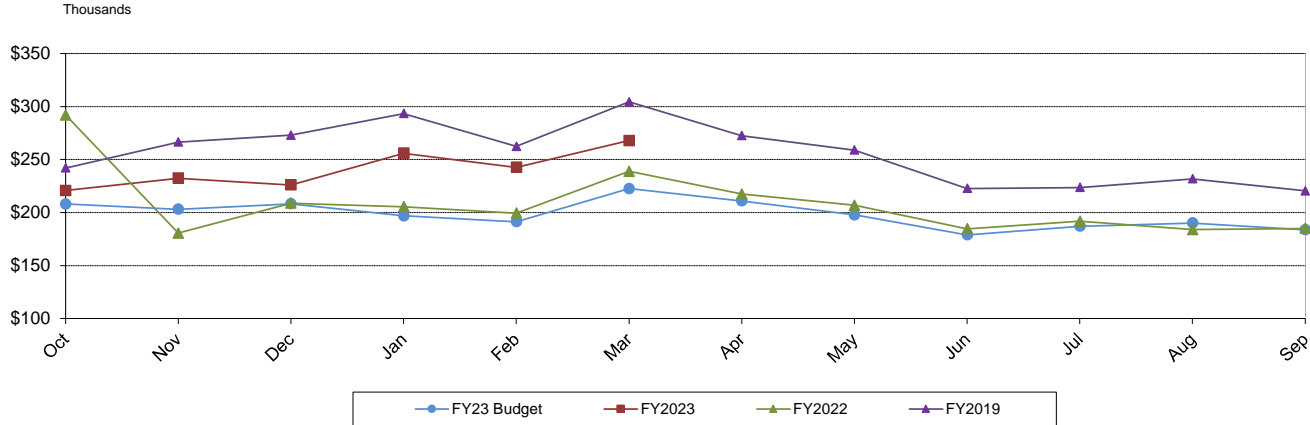
TOTAL LIABILITIES	<u>66,210,320</u>	<u>62,220,658</u>
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**TUCSON AIRPORT AUTHORITY
STATEMENT OF NET POSITION**

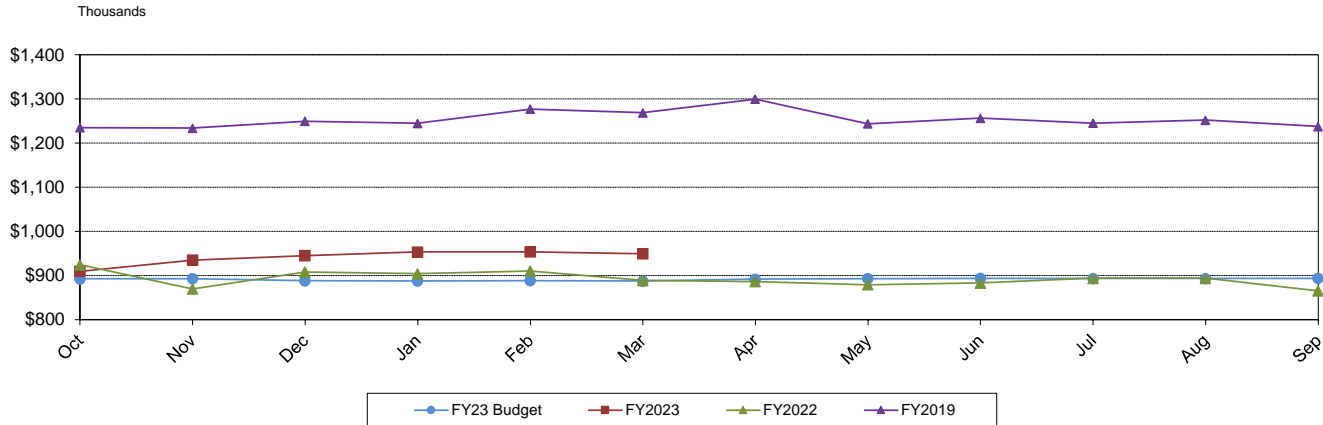
LIABILITIES & NET ASSETS (Con't)

	March-23	March-22
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows from pensions	1,192,681	7,457,762
Deferred inflows from leases-ST	5,265,204	5,428,462
Deferred inflows from leases-LT	79,466,103	84,980,624
TOTAL DEFERRED INFLOWS OF RESOURCES	85,923,987	97,866,848
NET POSITION		
Net Investment in capital assets	341,043,311	317,533,960
Restricted:		
Debt service	-	(0)
Capital projects	27,807,449	25,023,087
	27,807,449	25,023,087
Unrestricted	101,850,353	97,527,856
TOTAL NET POSITION	470,701,113	440,084,903
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	622,835,420	600,172,409

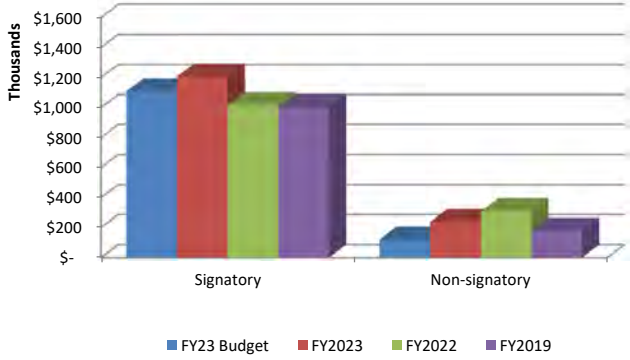
Landing Fees



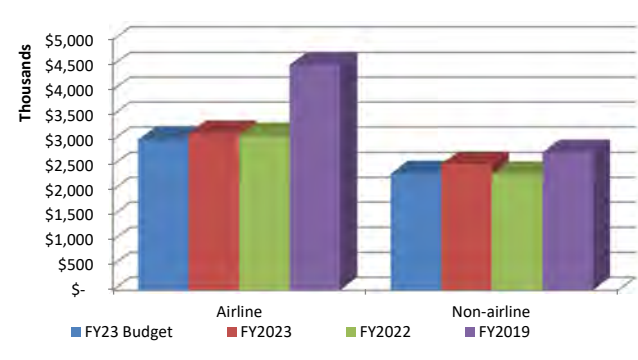
Space Rentals

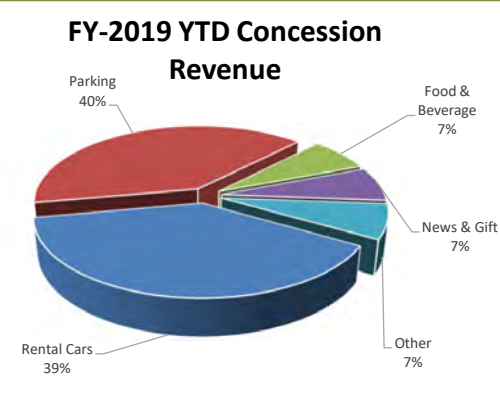
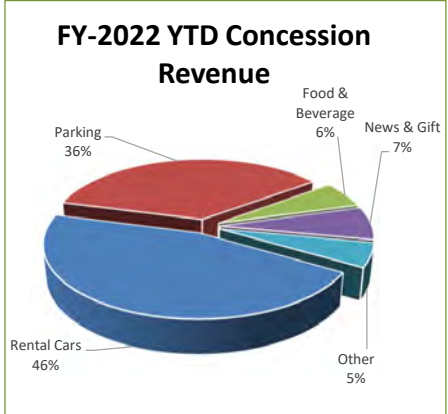
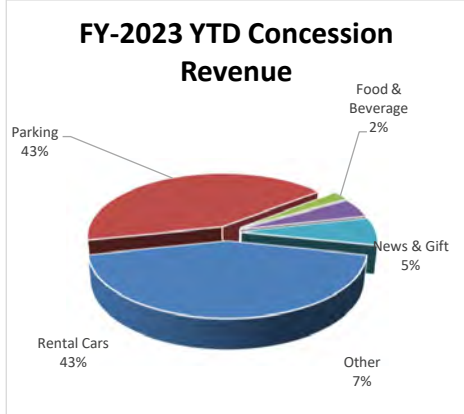
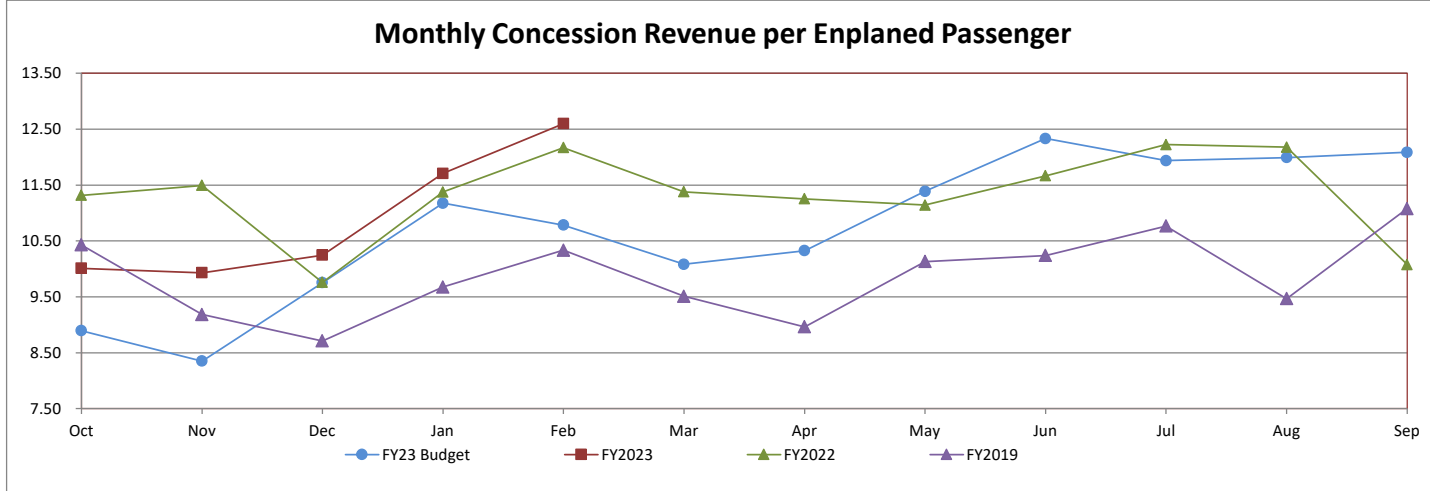
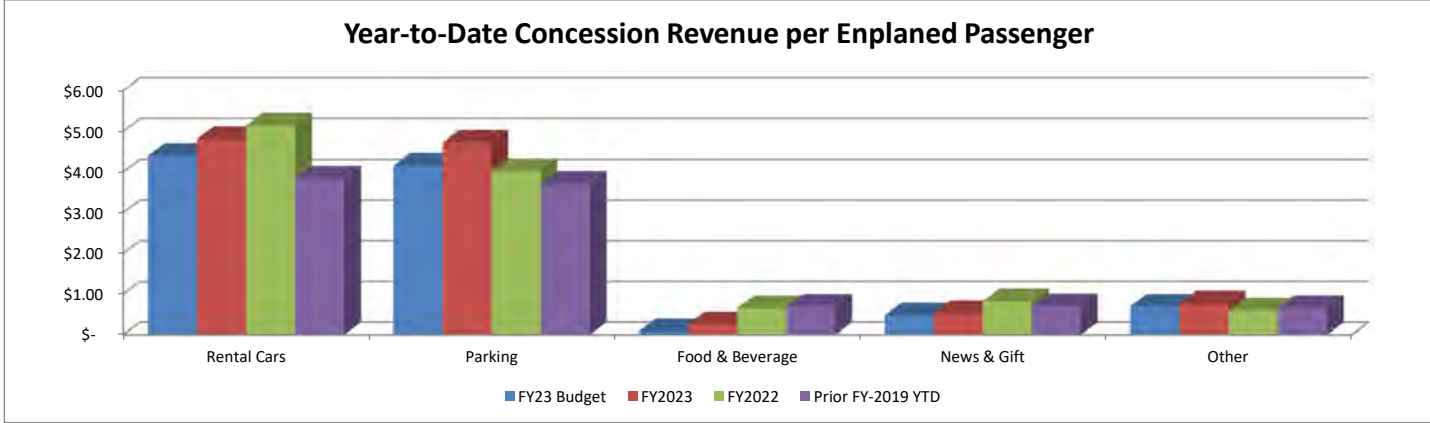
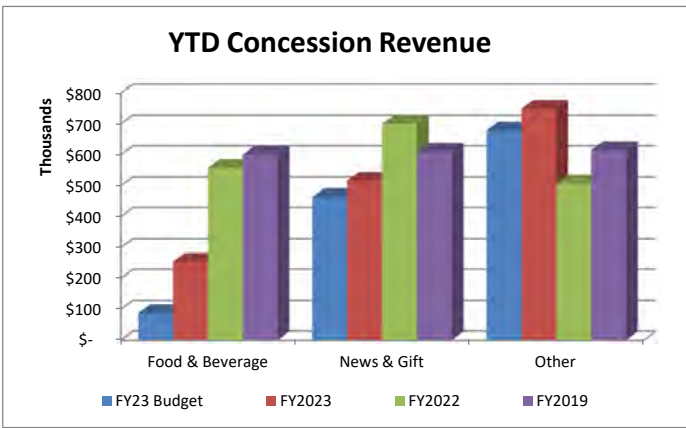
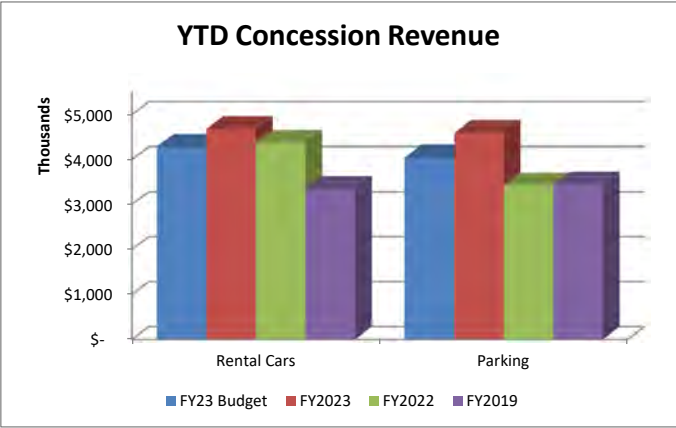


YTD Landing Fees

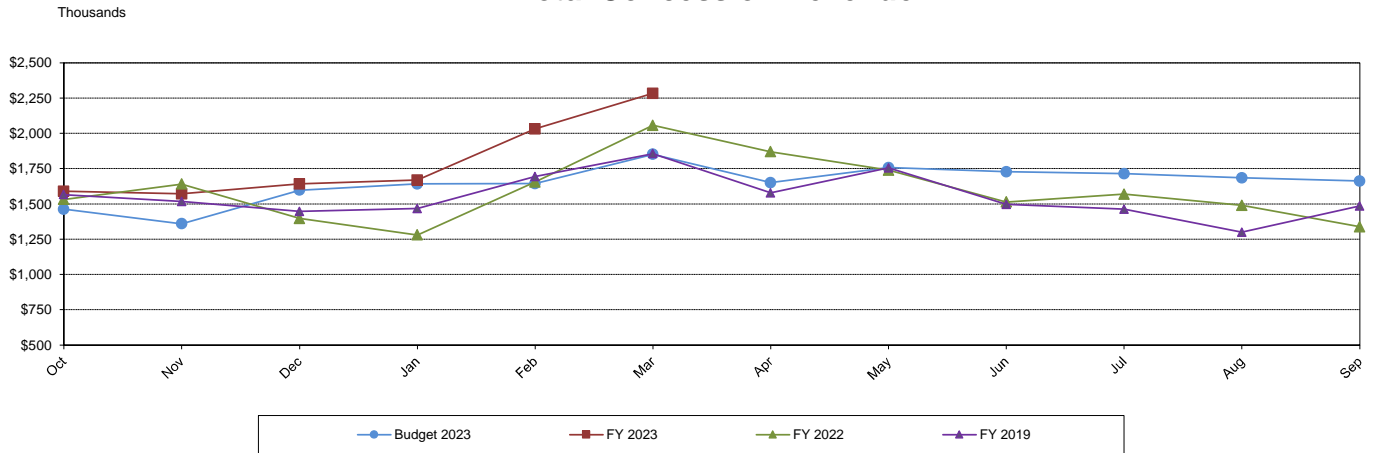


YTD Space Rentals

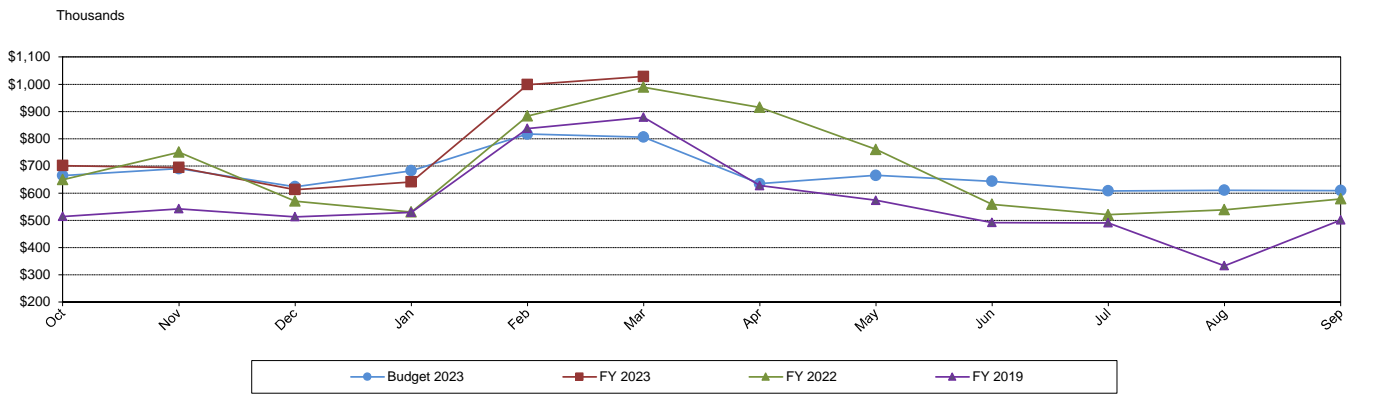




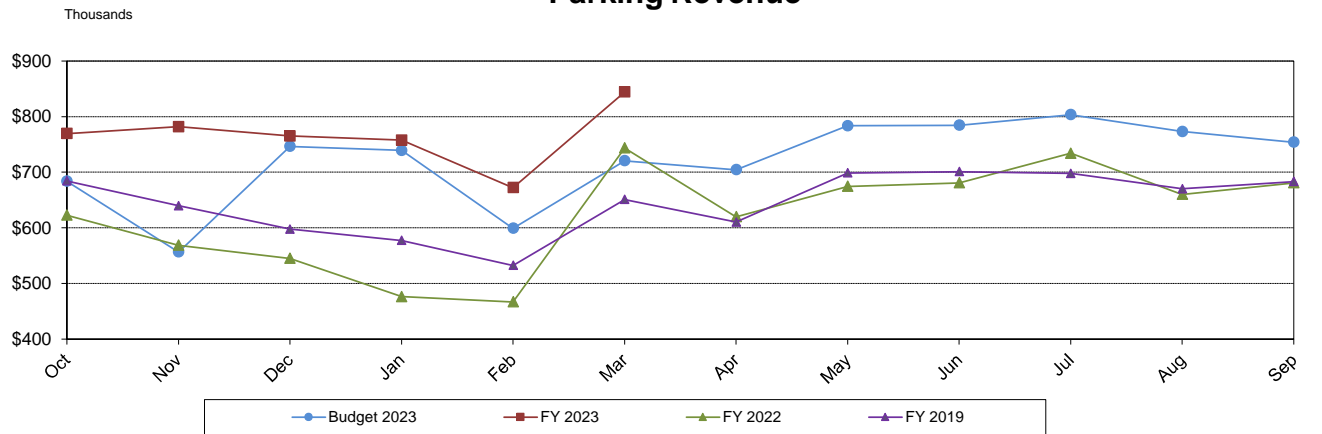
Total Concession Revenue

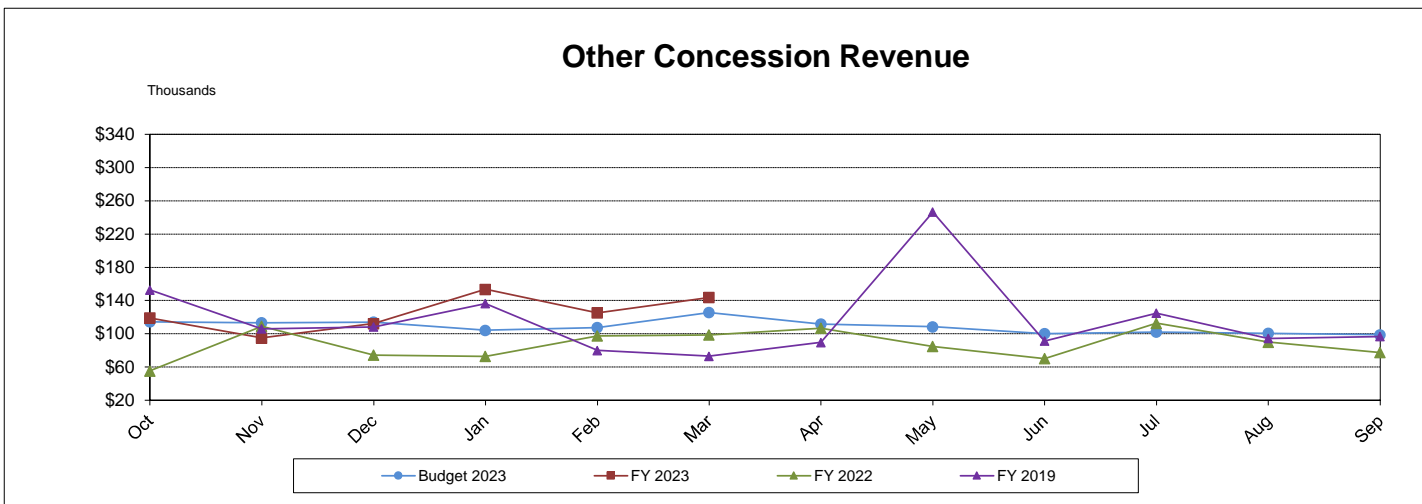
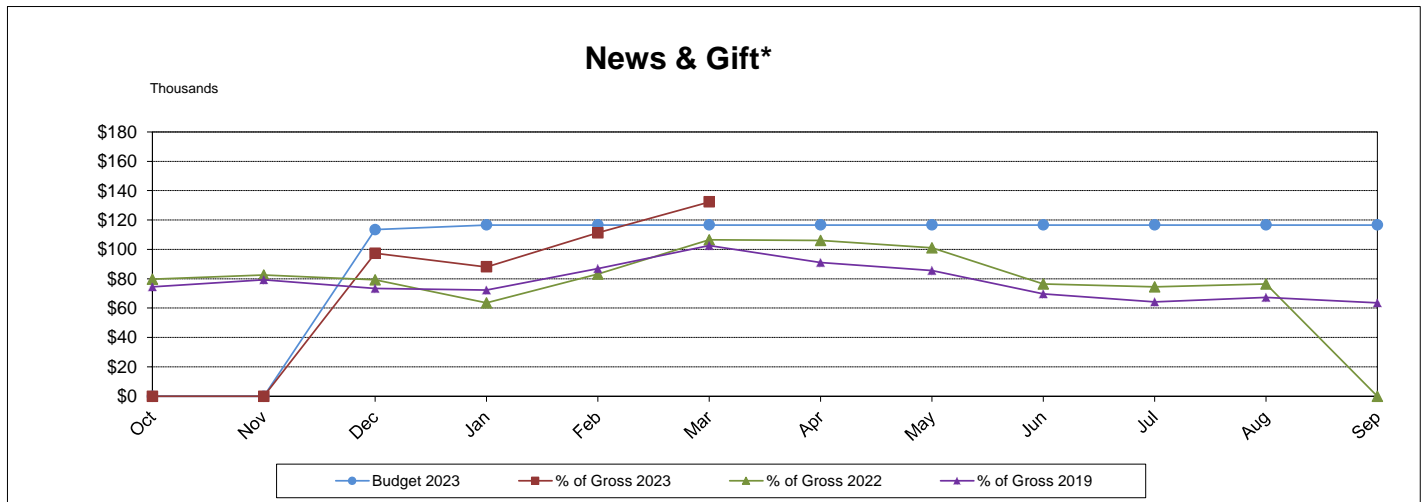
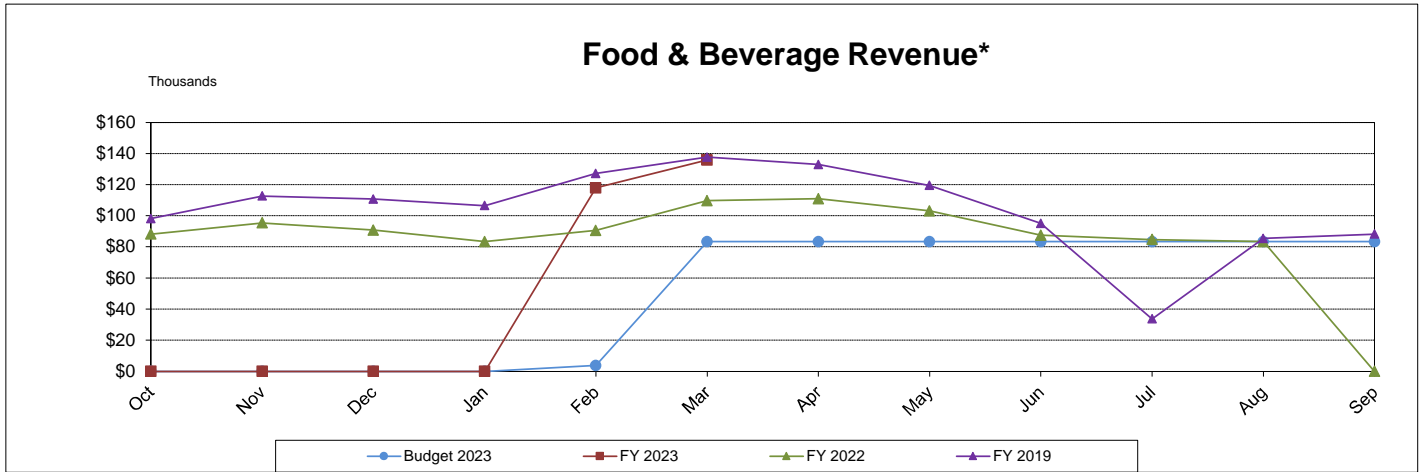


Rental Car Revenue



Parking Revenue

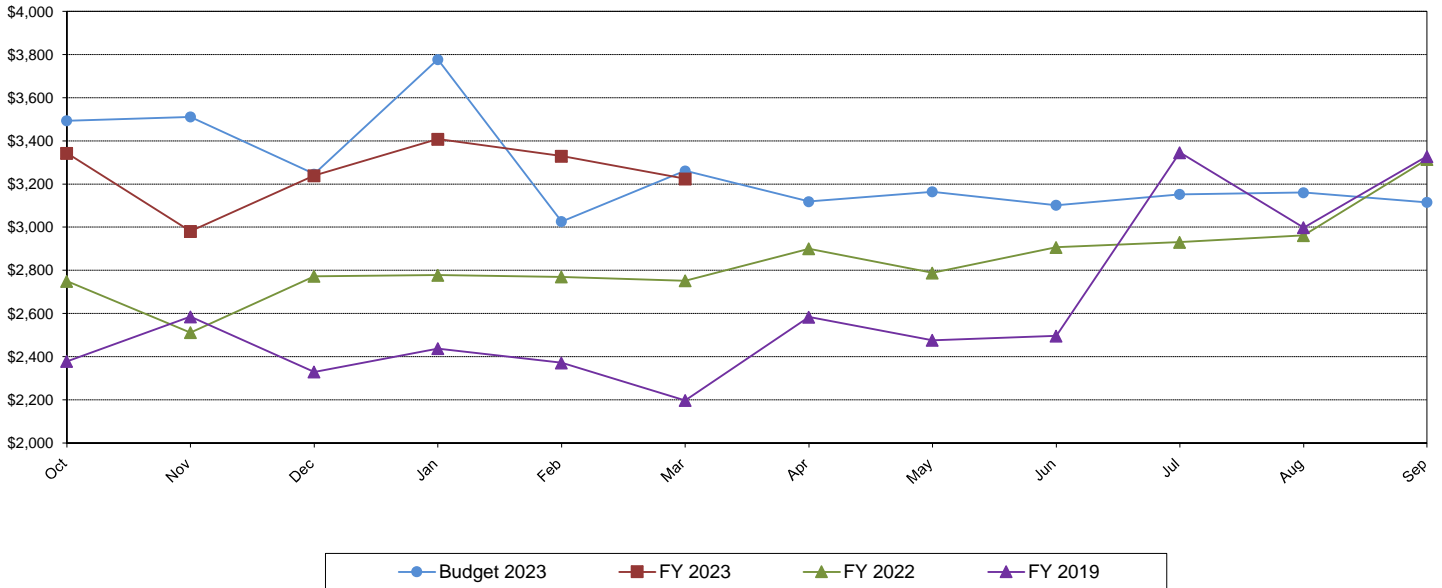




* Minimum Annual Guarantees were waived from April 2020 to September 2021. Additionally, TAA provided monthly invoice credits for concession tenants beginning in September 2022, in accordance with the ARPA concession relief plan submitted to the FAA. These credits will appear as reimbursements from the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

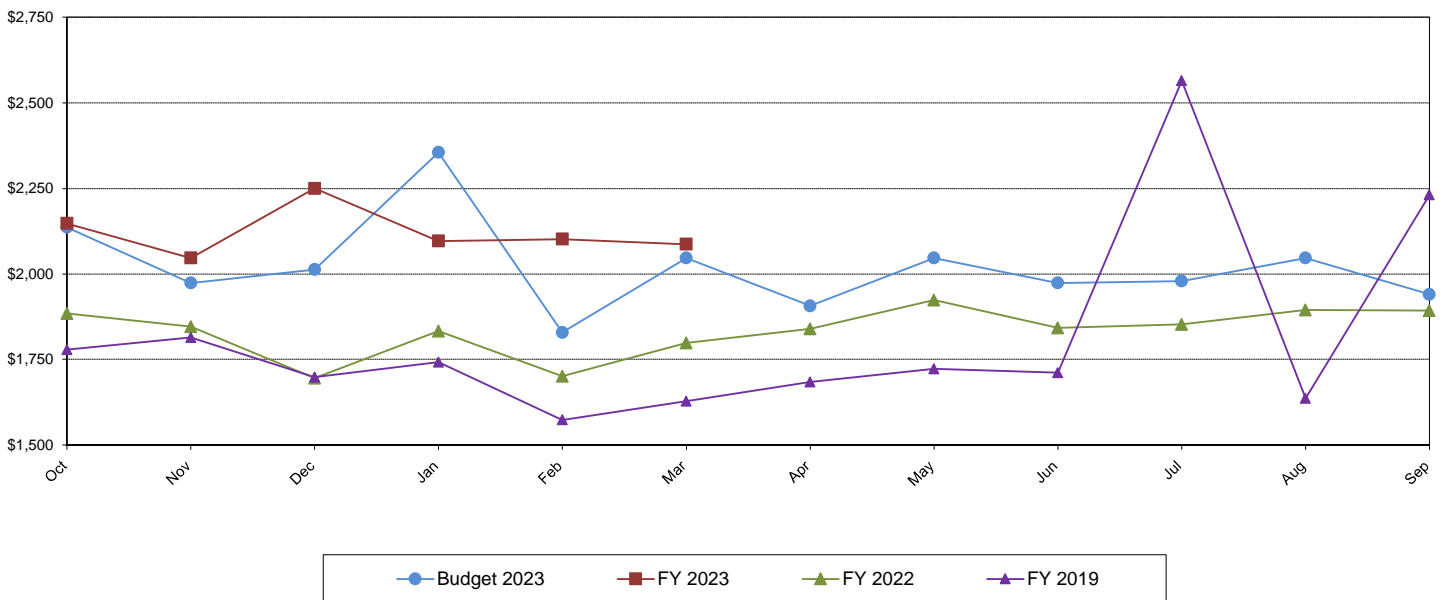
Total Operating Expenses

Thousands



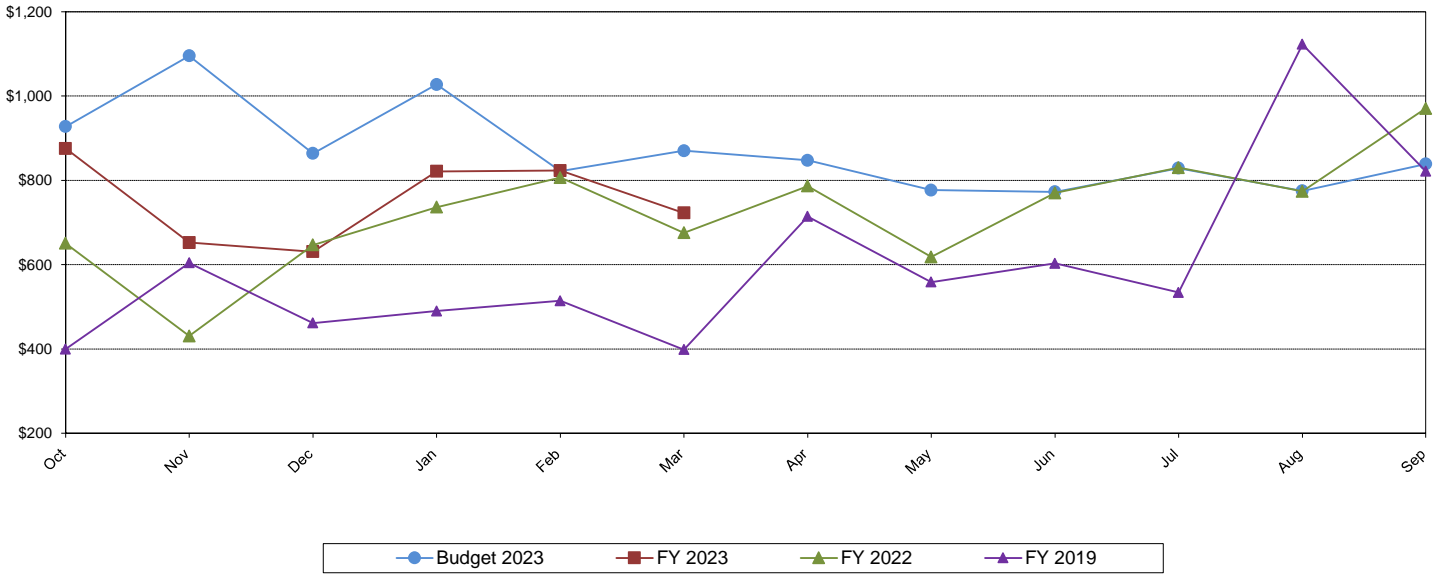
Personnel Expenses

Thousands



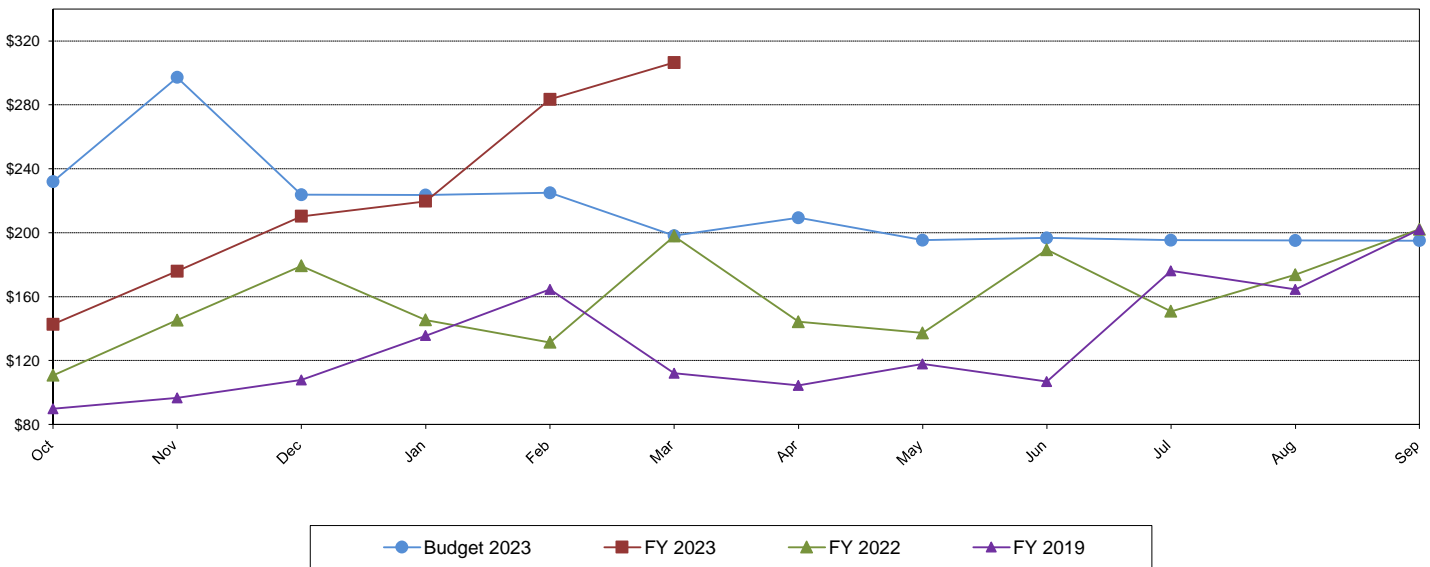
Contractual Services

Thousands



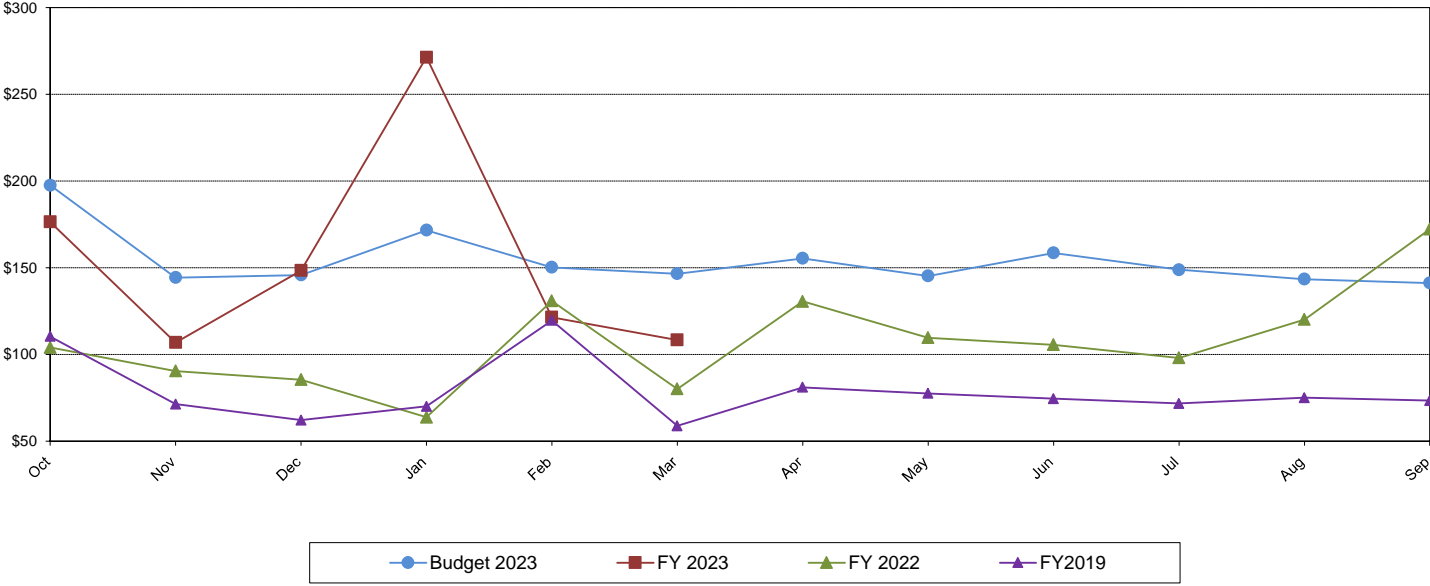
Materials and Supplies

Thousands

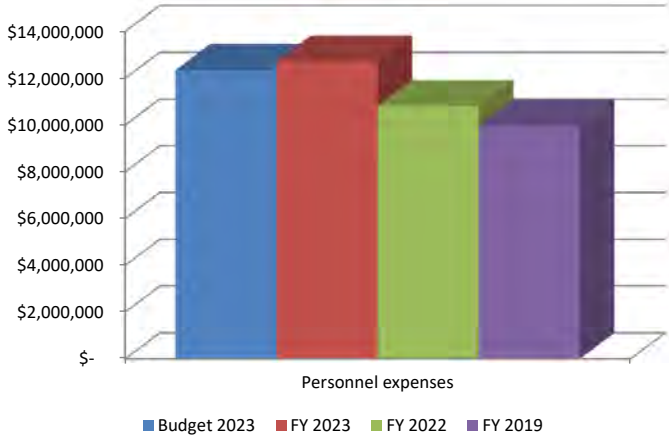


Other Operating Expenses

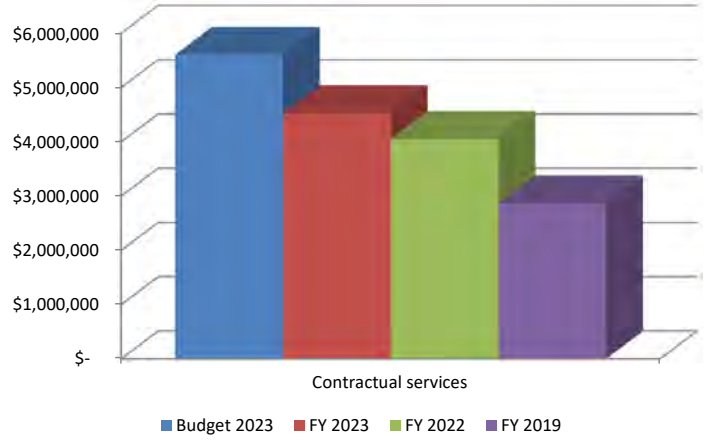
Thousands



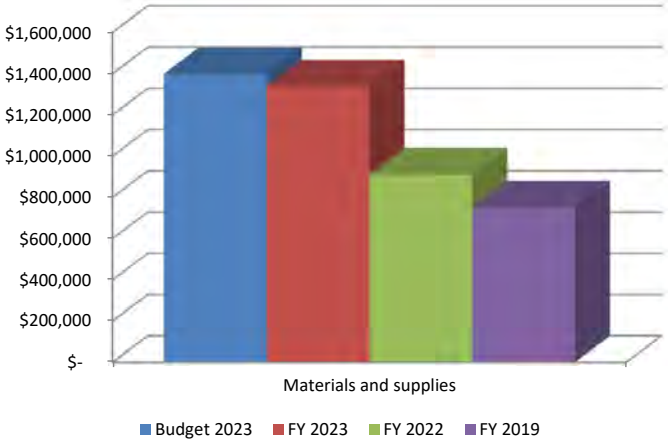
YTD Personnel Expenses



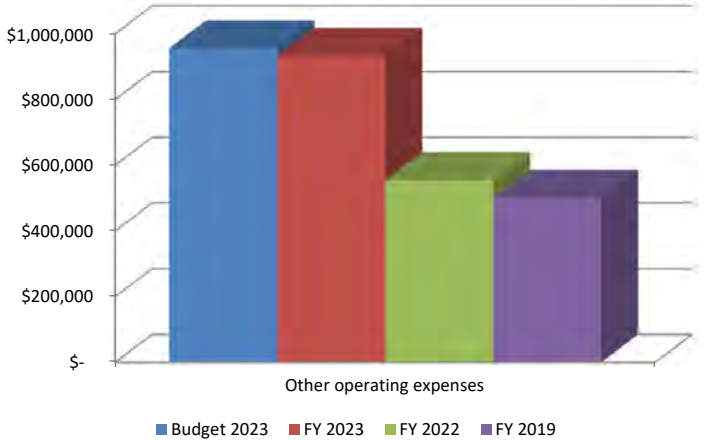
YTD Contractual Services



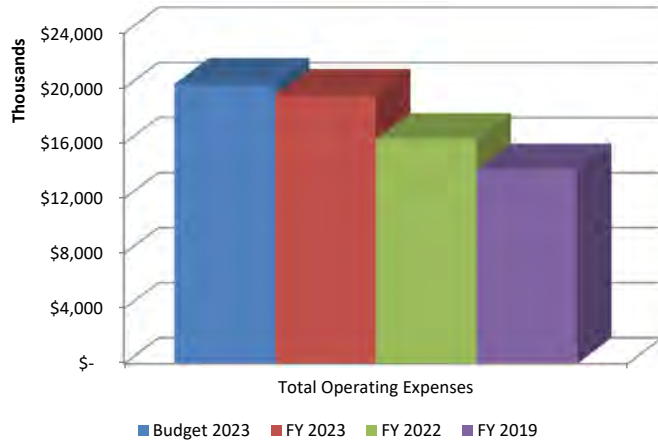
YTD Materials and Supplies



YTD Other Operating Expenses



YTD Total Operating Expenses



Date: June 7, 2023

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

Total Passengers (YTD vs prior year):

- Total passengers for the month of March 2023 were 6.3% higher than prior year and 4.1% lower than March 2019 (pre-COVID).
- Total passengers year-to-date through March 2023 were 13.4% higher than the same period last year and 4.0% lower than the same period in FY 2019.

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

- The month of March had an average daily departure count of 50, which was 2 higher than prior year.
- Additional service to Denver (1), Las Vegas (1), Minneapolis (1), and international routes to Canada (aggregate)(1) were offset by decreases in service to Oakland (1), Everett (1).
- Departure increases for Delta (1), United (1), and Flair (1) were offset by decreases in service for Alaska (1).

Average Daily Seat capacity (YTD vs prior years):

- Seat capacity for March 2023 was 13.4% higher than March 2022 and 3.5% lower than March 2019.
- YTD, seat capacity was 16.4% higher than the same period in 2022 and 2.6% lower than the same period in 2019 (pre-COVID).

Load Factors (MTD & YTD vs prior years):

- The load factor for March was 87.29%, which is 6.4% lower than March 2022 and 1.2% higher than March 2019.
- YTD, the load factor was 82.47%, which is 1.5% lower than the same period in 2022 and 0.5% higher than the same period in 2019.

Aircraft Operations (MTD & YTD vs prior year):

- Freight, measured in pounds, is 12.1% lower in March compared to the same month last year.
- Total aircraft operations were 21.0% higher in March than the same month last year, with increases in all aircraft operations categories except general aviation.
- Year-to-date operations are 16.3% higher compared to prior year, with increases in all aircraft operations categories.

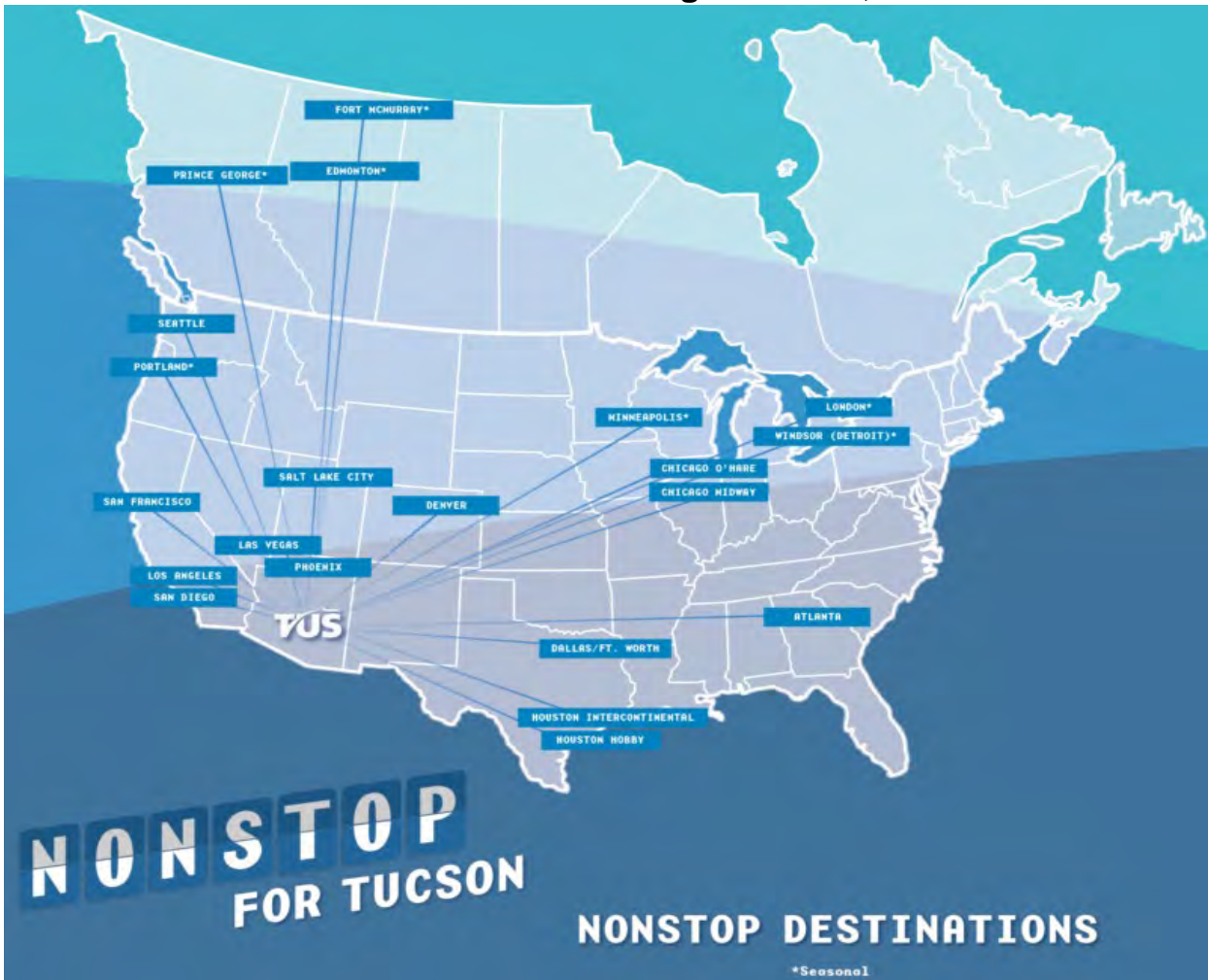
TUCSON AIRPORT AUTHORITY
TUS PASSENGER ACTIVITY



AVIATION ACTIVITY REPORTS

Tucson International Airport (TUS)

For the six months ending March 31, 2023



*Prepared by Tucson Airport Authority
Finance Department*

**TUCSON AIRPORT AUTHORITY
TUS PASSENGER ACTIVITY**

**TUCSON AIRPORT AUTHORITY
TUS ACTIVITY OVERVIEW**

PASSENGERS*				Fiscal YTD		
	Mar-23	Mar-22	% CHANGE	2023	2022	% CHANGE
ENPLANED	191,048	180,779	5.7%	972,109	850,709	14.3%
DEPLANED	184,070	172,230	6.9%	946,838	840,917	12.6%
TOTAL	375,118	353,009	6.3%	1,918,947	1,691,626	13.4%

*Passenger figures include non-revenue passengers.

LANDED WEIGHT**

AIR CARGO	15,140	14,338	5.6%	78,270	80,535	-2.8%
AIR CARRIER	200,111	176,887	13.1%	1,081,400	924,215	17.0%
TOTAL	215,251	191,225	12.6%	1,159,670	1,004,750	15.4%

**In thousand pound units.

FREIGHT (in pounds)

ENPLANED	2,845,745	3,142,569	-9.4%	15,280,518	15,610,974	-2.1%
DEPLANED	2,926,227	3,424,641	-14.6%	16,535,484	18,505,015	-10.6%
TOTAL	5,771,972	6,567,210	-12.1%	31,816,002	34,115,989	-6.7%

MAIL (in pounds)

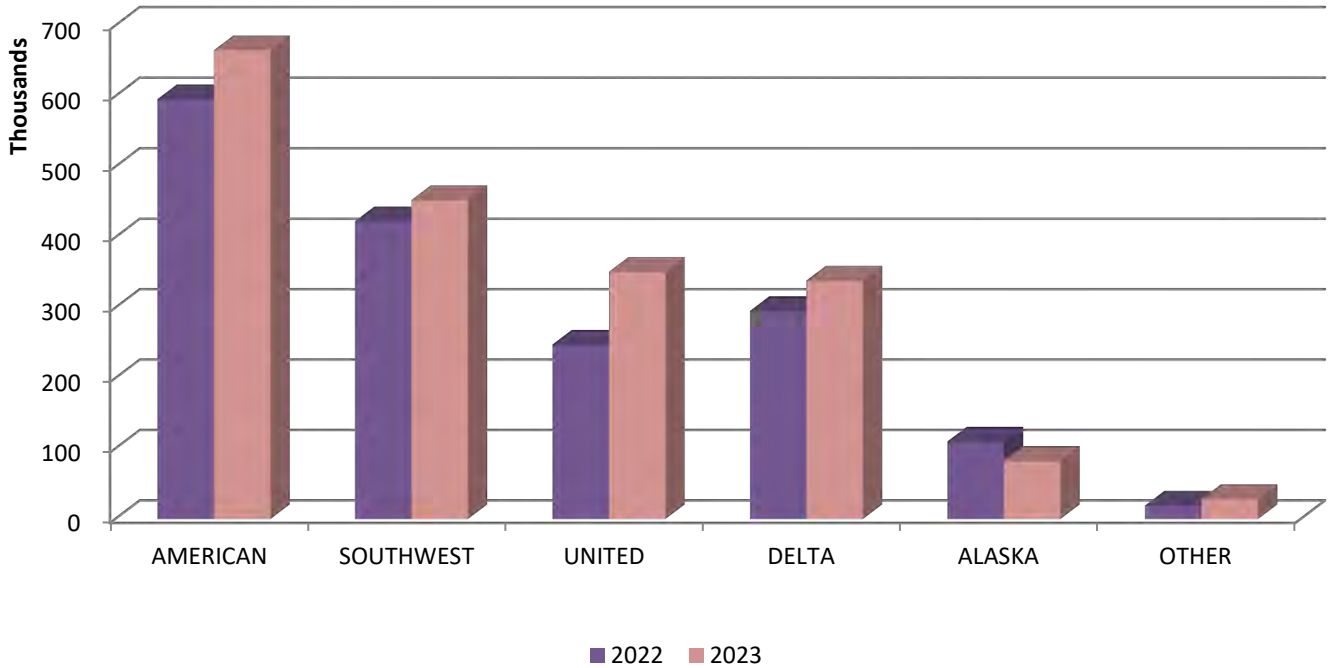
ENPLANED	30	0	100.0%	192	300	-36.0%
DEPLANED	0	0	0.0%	196	0	100.0%
TOTAL	30	0	100.0%	388	300	29.3%

AIRCRAFT OPERATIONS

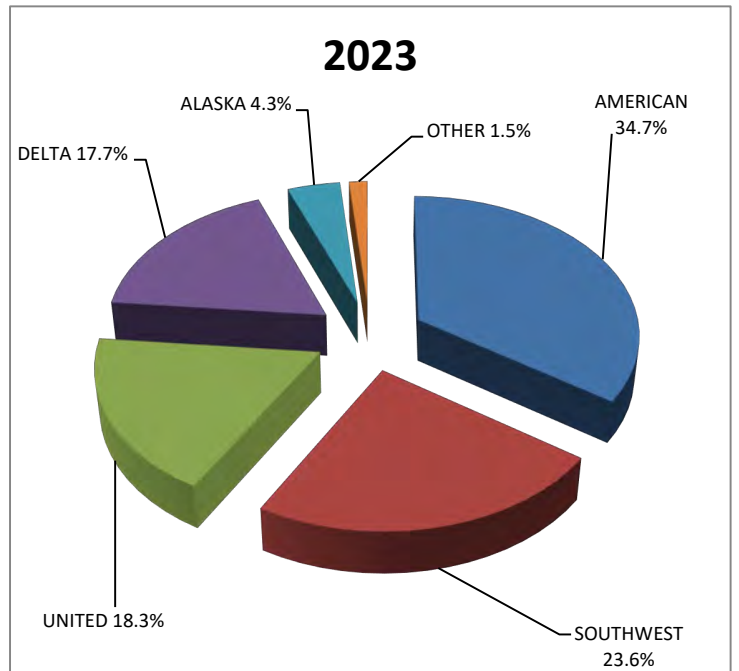
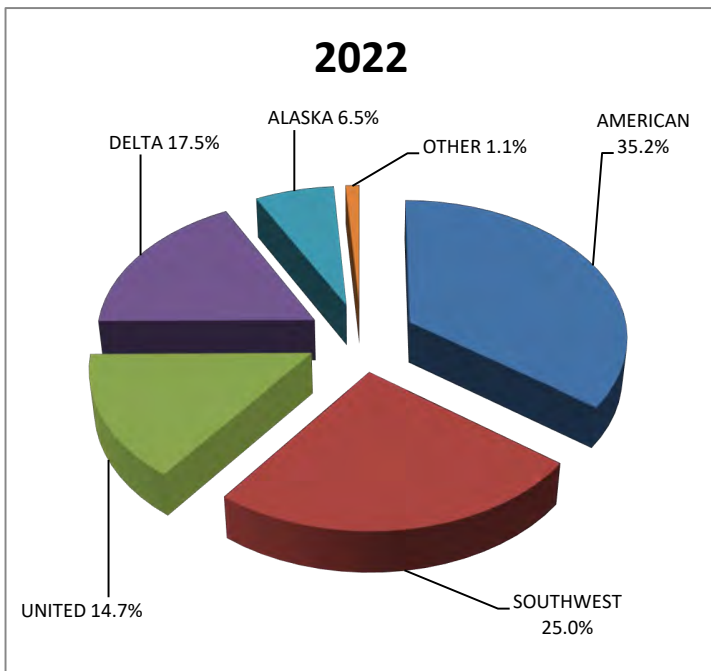
AIR CARRIER	3,447	3,083	11.8%	18,291	16,510	10.8%
AIR TAXI	3,623	1,706	112.4%	12,802	9,577	33.7%
MILITARY	3,191	1,991	60.3%	15,183	11,112	36.6%
GENERAL AVIATION	4,694	5,580	-15.9%	34,683	32,429	7.0%
TOTAL	14,955	12,360	21.0%	80,959	69,628	16.3%

TUCSON AIRPORT AUTHORITY TUS PASSENGER ACTIVITY

TOTAL PASSENGERS YTD BY AIR CARRIER

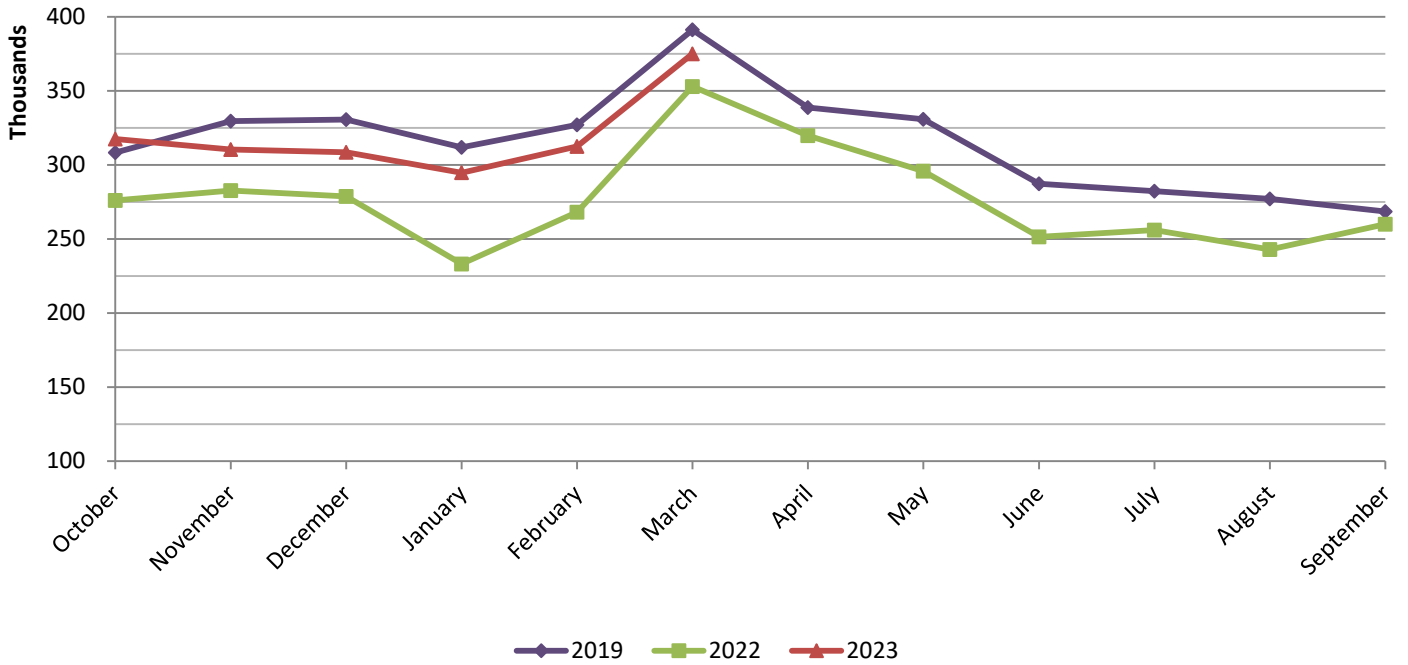


AIR CARRIER MARKET SHARE

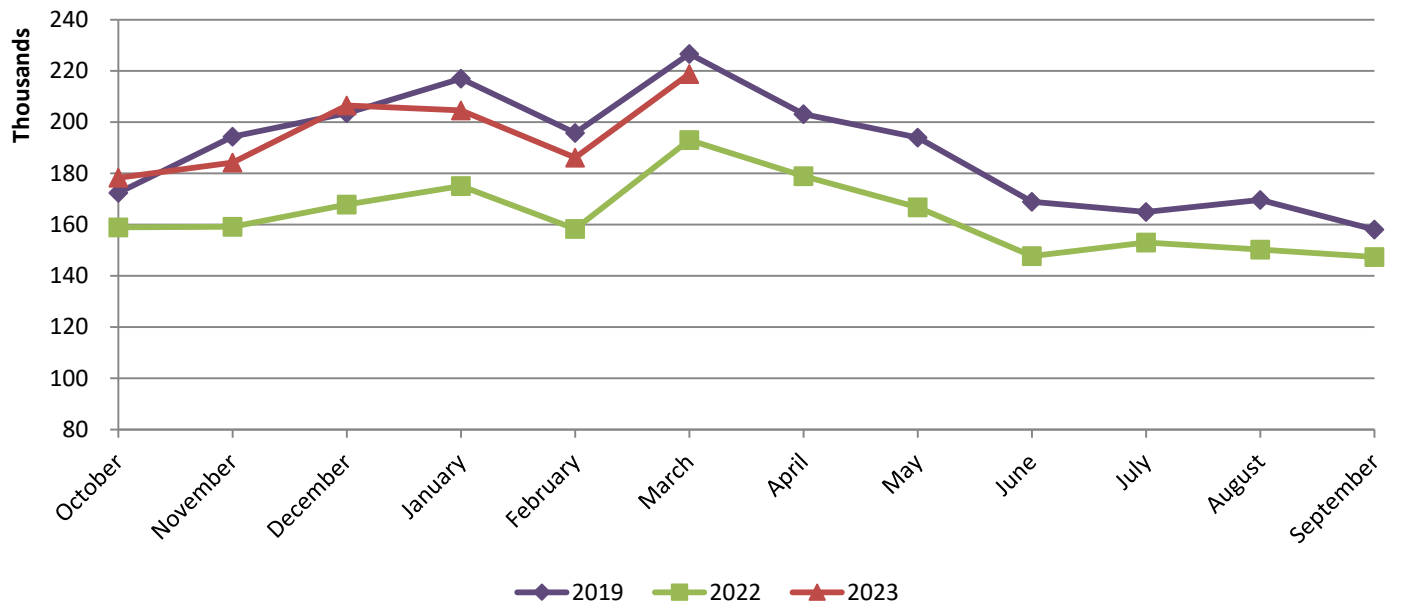


TUCSON AIRPORT AUTHORITY TUS PASSENGER ACTIVITY

TOTAL PASSENGERS BY MONTH

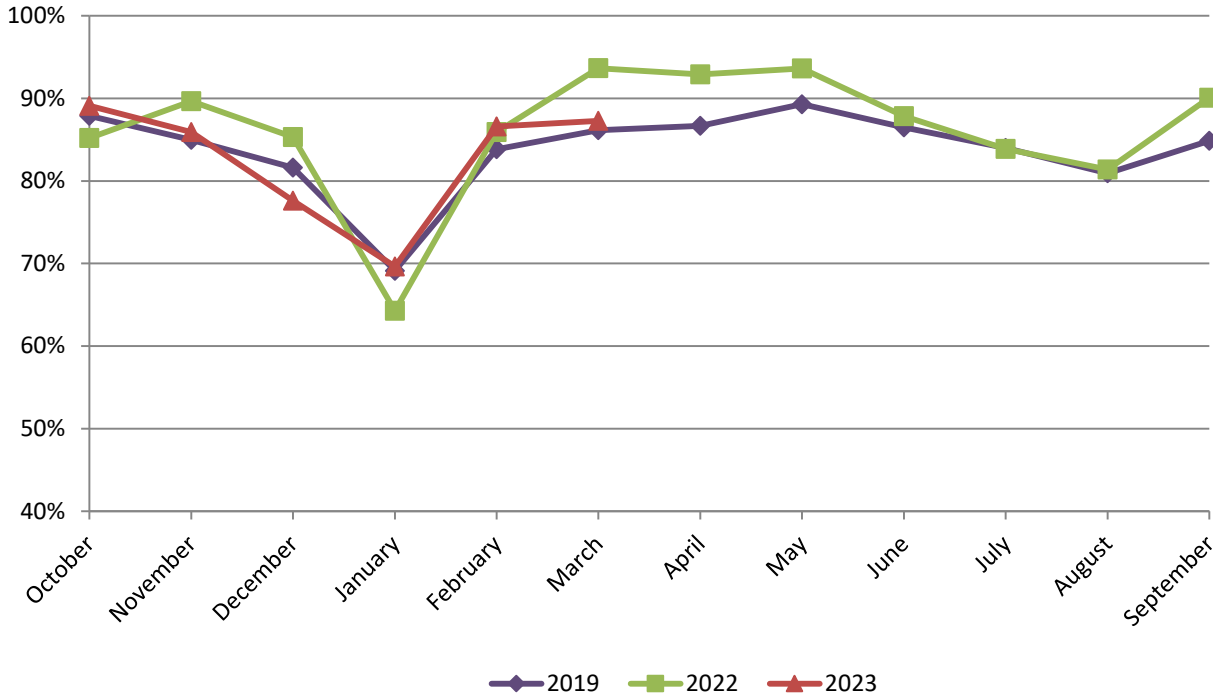


AVERAGE SEAT CAPACITY PER MONTH



TUCSON AIRPORT AUTHORITY TUS PASSENGER ACTIVITY

LOAD FACTORS (TOTAL ENPLANEMENTS / AVAILABLE SEATS)



TUCSON AIRPORT AUTHORITY

TUS PASSENGER ACTIVITY

TUS MONTHLY FLIGHT SCHEDULE SUMMARY

NONSTOP DESTINATIONS <i>and Airline</i>	Code	Average Daily Departures			Average Daily Seats		
		Current Year	Prior Year	Difference	Current Year	Prior Year	Difference
ATLANTA <i>Delta (2.8)</i>	ATL	2.8	2.8	0.0	542	536	6
DENVER <i>United (4), Southwest (2.9)</i>	DEN	6.9	5.9	1.0	1,049	832	217
DALLAS/FT WORTH <i>American (5.7)</i>	DFW	5.7	5.9	(0.2)	1,084	1,087	(3)
HOUSTON HOBBY <i>Southwest (.9)</i>	HOU	0.9	0.6	0.3	135	88	47
HOUSTON BUSH <i>United (2.8)</i>	IAH	2.8	2.8	0.0	445	273	172
LAS VEGAS <i>Southwest (3)</i>	LAS	3.0	2.1	0.9	496	300	196
LOS ANGELES <i>Delta (3), American (2) Southwest (1.7)</i>	LAX	6.7	6.6	0.1	609	661	(52)
CHICAGO MIDWAY <i>Southwest (.3)</i>	MDW	0.3	1.1	(0.8)	53	192	(139)
MINNEAPOLIS <i>Delta (.7), Sun Country (.6)</i>	MSP	1.3	0.7	0.6	219	116	103
OAKLAND <i>Southwest (0)</i>	OAK	0.0	0.5	(0.5)	0	71	(71)
CHICAGO O'HARE <i>American (1.7) United (1)</i>	ORD	2.7	2.6	0.1	442	428	14
EVERETT <i>Alaska (0)</i>	PAE	0.0	0.7	(0.7)	0	56	(56)
PORTLAND <i>Alaska (1)</i>	PDX	1.0	1.0	0.0	76	168	(92)
PHOENIX <i>American (6)</i>	PHX	6.0	5.7	0.3	816	528	288
SAN DIEGO <i>Southwest (1.1)</i>	SAN	1.1	1.0	0.1	175	164	11
SEATTLE/TACOMA <i>Alaska (1.5) Delta (1)</i>	SEA	2.5	3.0	(0.5)	321	361	(40)
SAN FRANCISCO <i>United (3)</i>	SFO	3.0	2.8	0.2	221	155	66
SALT LAKE CITY <i>Delta (3)</i>	SLC	3.0	3.0	0.0	224	215	9
EDMONTON <i>Flair (.2)</i>	YEG	0.2	0.0	0.2	43	0	43
FORT McMURRAY <i>Flair (.2)</i>	YMM	0.2	0.0	0.2	43	0	43
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 (.1)</i>	YXU	0.1	0.0	0.1	18	0	18
TOTAL		50.4	48.8	1.6	7,059	6,231	828

Date: June 14, 2023

To: Board of Directors
From: Austin Wright, Chief Communications Officer
Re: June 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. 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.

A key objective of the TAA Strategic Plan 2.1 was to Create External Champions to support the mission and vision of TAA. The goal of this effort is stated as “promoting community pride and instilling a sense of ownership in the TAA and its airport systems, including TUS (Tucson International Airport) and RYN (Ryan Airfield).”

In 2022, a community survey was conducted to establish a baseline of awareness and support for TAA, to inform the development of a community value proposition and to measure future changes in perceptions.

As a result of the community survey, it has become evident through research the perceived value of TAA is different for the community as a whole than it is for those who fly from TUS. Therefore, the Community Value Proposition (CVP) is segmented into two categories:

1. Community (as a whole).
2. TUS fliers.

The value proposition for our community is: TAA means more to Southern Arizona than being a strong transportation provider; it propels the Southern Arizona economy in ways that amplify the pride Tucsonans have for their unique, diverse, and growing community.

The value proposition for our fliers is: TAA operates and maintains a valuable transportation and regional economic asset for the benefits of our community; the value-added it the multiplier effect TUS has on Southern Arizona’s economy - the more TUS is used, the more the economy and the community benefits.

With these, targeted messaging will be developed and utilized for updated marketing collateral and strategic communications.

In the Media:

TAA was featured on the front cover of the BizTucson spring issue and also had its own special section within the issue. BizTucson also included a commercial aviation industry story in the main issue.

Total mentions for TAA have increased for the second month in a row and were the second highest of the fiscal year during April. The earned stories that garnered most media coverage included the addition of Turo to ground transportation options and the Southern Arizona Honor Flight at TUS.

Through April 2023, the TAA has earned more than 6,500 earned media mentions in Fiscal Year 2023 with an Advertising Value Equivalency (AVE) of more than \$2.3M.

Community Involvement, Customer Experience and Recognition:

- ➔ TAA partnered with Tohono O’odham and Pascua Yaqui tribes to bless the International Arrivals Gallery. The gallery space is the culmination of an effort from TAA to recognize and show appreciation for the artwork and culture of both tribes.
- ➔ Tucson Hispanic Chamber hosted a sold-out mixer event on May 11 at TUS. The event was sponsored by TAA and Southwest Airlines.
- ➔ The team celebrated National Volunteer Week by attending the Southern Arizona Recruitment and Celebration Fair with six current volunteers. It was a great opportunity to put the Warm Welcome Volunteer name on the map and provided current volunteers free admittance to the zoo.
- ➔ The 32nd Honor Flight Southern Arizona occurred April 23-25. It was a great success. This was the first Honor Flight that they invited the public to welcome the veterans back since pre-pandemic. Nearly 200 people arrived to welcome 70 veterans.