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**TUCSON AIRPORT AUTHORITY | Board of Directors**  
**Wednesday, November 1, 2023 | 3:00 p.m. | TAA Board Room and [Microsoft Teams](#)**

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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, November 1, 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.

**Approval of Minutes**

Approve the minutes of the Board of Directors regular meeting held on September 6, 2023.

**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. TAA Strategic Plan | Update

**5. PRESENTATION/DISCUSSION**

- a. **Change Management | Presentation**  
The Board will receive a presentation on change management initiatives at TAA.
- b. **Employee Retention | Update**  
The Board will receive a presentation on employee retention trends at TAA.

**6. ACTION ITEMS**

- a. **FY 2024 Operating Budget Amendment | TSA Mandate**  
The Board will consider and may adopt Resolution No. 2023-20 approving an amendment to the FY 2024 Operating Budget in the amount of approximately \$1,101,501, to implement security measures to comply with the Transportation Security Administration (TSA) National Emergency Amendment and Notice of Informed Compliance dated September 6, 2023.
- b. **Rental Car Concession Contracts**  
The Board will consider and may adopt Resolution No. 2023-21 authorizing the President/CEO (or her designee[s]) to execute rental car concession contracts with rental car concessionaires, subject to key business terms.
- c. **FedEx Ground Lease Extension**  
The Board will consider and may adopt Resolution No. 2023-22 authorizing the President/CEO (or her designee[s]) to execute a new ground lease with the FedEx Corporation, subject to key business terms.

**7. DIVISION UPDATES**

The Board may receive a short presentation or ask questions of Division representatives based upon material in the Board packet.

- a. **Business and Commercial Development**
- b. **Finance and Regulatory Administration**  
Financial Performance/Aviation Activity Report for the period ending August 31, 2023.

**c. Planning and Engineering**

An update on TAA's efforts in response to Environmental Protection Agency, Arizona Department of Environmental Quality and City of Tucson requests related to per- and polyfluoroalkyl substances (PFAS) and the Tucson Airport Remediation Project (TARP).

**8. EXECUTIVE SESSION**

**a. President/CEO Employment Contract**

The Board may vote to discuss and consult with its attorneys pertaining to the employment contract with the Tucson Airport Authority's President/CEO in executive session for the purposes of legal advice and to consider its position related to the contract as provided in A.R.S. § 38-431(A)(3) and (4).

**b. Environmental Matters with EPA and ADEQ - Tucson Airport Remediation Project, Soils Remediation Project, PFAS Issues**

The Board may vote to discuss matters pertaining to the Tucson Airport Remediation Project (TARP), including the remediation of per- and polyfluoroalkyl substances (PFAS) and TAA engagement with the Environmental Protection Agency, the Arizona Department of Environmental Quality, and the City of Tucson, with TAA's attorneys and representatives in executive session for the purposes legal advice and to consider its position related to the matter as provided in A.R.S. § 38-431(A)(3) and (4).

**9. RETURN FROM EXECUTIVE SESSION**

**10. NEXT MEETING**

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

**11. ADJOURN**

**TUCSON AIRPORT AUTHORITY | Board of Directors Regular Meeting  
Wednesday, September 6, 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 3:01 p.m.

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

**Directors Absent:** Director Judy Rich and Director Todd Jackson

**Others Present:** TAA Member Lydia Aranda, TAA Member Nancy McClure, Attorney James Murphy, and Attorney Michael Foy

**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/Chief People Officer Twyla Salaiz, Vice President of Planning and Engineering Ken Nichols, Vice President/Chief Financial Officer Kim Allison, Deputy General Counsel Kim Outlaw Ryan, Chief Information Officer Anthony Casella, Chief Communications Officer Austin Wright, and TAA Clerk Byron Jones

**2. CONSENT AGENDA**

- a. Approval of Minutes
- b. FY 2024 PSPRS Pension Funding Policy
- c. FAA Part 26 DBE Policy Statement and Participation Goals for FY 2024-2026
- d. FAA Part 21 Nondiscrimination Program and Policy Statement

**Motion by Treasurer Falbaum, seconded by Director Katz, to approve the Consent Agenda. The motion carried by the following vote:**



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

**Nays (0)**

### **3. BOARD CHAIR REPORT**

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

Chair Keri Silvyn reported the following:

- Phillip Karhoff recently joined TAA as the new Director of Infrastructure and Special Systems.
- Vice President/General Counsel Chris Schmaltz earned the Accredited Airport Executive certification.
- TAA was nominated and received the Official Gold Seal of Good Health Keeping Renewal Award.
- The TAA Fire Department honored Director Bruce Dusenberry with a water salute in recognition of his last flight as a pilot.

### **4. PRESIDENT/CEO REPORT**

State of the Industry | Update

President/CEO Danette Bewley reported the following:

- The FAA Reauthorization Bill, a five-year bill, has passed the United States Senate and the United States House of Representatives; however, the reconciliation process has not yielded a final bill.
- TUS is approaching a full recovery from the COVID-19 pandemic. 3.7M passengers will travel through TUS in 2023 compared to 3.8M in 2019. TUS is also expected to reach 60 peak flights per day.
- The Monument Sign Project has been restarted after a two-year pause due to increased construction costs. Completion is expected by the end of 2023.

### **5. PRESENTATION/DISCUSSION**

Member Advocacy Plan | Update

Chief Communications Officer Austin Wright gave an overview of the new Member Advocacy Plan. The goal is for TAA Members to become vocal Champions in their personal and professional circles, highlighting the critical role TAA plays in the region's economy. The key messages include:

1. Addressing market leakage to Sky Harbor (PHX) and Phoenix-Mesa Gateway (AZA).
2. Educating the public on TUS and RYN as economic engines for Southern Arizona.

3. Advocating the use of new nonstop routes. Consistent demand makes it more likely that airlines will maintain new routes.

To ensure that everyone has the most current talking points, regular updates will be included in the monthly Member advisories. Members will also receive a link to the presentation as well as a link to the formal advocacy plan. Finally, Members will receive a wall-sized card with talking points that they can keep within easy reach.

## 6. ACTION ITEMS

### a. **New Air Service Incentive Program for FY 2024 and FY 2025**

Chief Communications Officer Austin Wright stated that the new Air Service Incentive Program would improve TUS's competitiveness versus other airports and would simplify TAA's overall approach to air service development. A detailed memo was included in the agenda packet. There was no discussion by the Board.

**Motion by Vice Chair Hammond, seconded by Director Sanchez, to adopt Resolution No. 2023-16 authorizing the President/CEO (or her designee[s]) to execute airline incentive agreements in accordance with the provisions of the new Air Service Incentive Program, effective October 1, 2023 and expiring September 30, 2025. The motion carried by the following vote:**

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

**Nays (0)**

### b. **TAA Compensation Plan**

Vice President/General Counsel Chris Schmaltz explained that the Compensation Plan had been brought to the Board instead of the Executive Council due to changes to the Bylaws and Resolution on Delegated Authority. Because of these changes, the Council's primary function now is to review the President/CEO's compensation and benefits. Going forward, updates to the Compensation Plan will be brought to the Board in conjunction with the annual operating budget.

Vice President/Chief People Officer Twyla Salaiz presented:

- TAA's last compensation study was completed in 2020. People Operations continuously monitors market trends and believes that the bottom part of the salary bands is competitive. There will be some impacts when Arizona's minimum wage increase goes into effect, but the changes will be minimal.
- The current proposal is to keep the bands in place but raise the top of the bands by five percent. This would shift the midrange up slightly and also

give People Operations the flexibility to negotiate a higher salary in exceptional circumstances.

- TAA will commission another study in 2024 to ensure that the full salary bands remain competitive.

There was no discussion by the Board.

**Motion by Secretary Swaim, seconded by Director Fernandez, to adopt Resolution No. 2023-17 approving the Tucson Airport Authority Compensation Plan dated October 1, 2023. The motion carried by the following vote:**

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

**Nays (0)**

**c. FY 2024 Budget and Capital Improvement Program**

Vice President/Chief Financial Officer Kim Allison presented:

**FY 2024 Budget Assumptions:**

- Based on projections provided by the airlines, TAA is forecasting a 6.8% increase in passenger volumes over FY 2023.
- Landed weight is forecasted to increase by 10.7% over FY 2023.
- Increases in operating revenue are due to TAA bringing its rates and charges back to pre-pandemic levels and adjusting for inflation.
- Increases in operating expenses are attributable to several factors, including being able to more accurately project vacancies in personnel, cost-of-living adjustments, merit increases, inflation, and adding additional safety and security positions to comply with Transportation Security Administration mandates.
- To balance the budget, the FY 2024 landing fee will increase from \$1.15 to \$1.50. The airlines are in full support of the increase.

**FY 2024 Capital Improvements:**

- TAA expects to spend \$34.8M on capital projects, with the Airfield Safety Enhancement (ASE) Program being the highest beneficiary.
  - \$21.7M from the Airline Reserve Fund.
  - \$18.4M from federal relief funds (CARES, CRRSAA, and ARPA).
  - \$3.1M of ASE funds which were previously approved but have not been spent.

- Because of efforts in recent years to control costs, there will be no new debt service in FY 2024.

**□ Environmental Remediation Program:**

- As of September 2022, TAA’s estimated liability for the Soils Remediation Project (SRP) and the Tucson Airport Remediation Project (TARP) was \$21.6M.
- The balance in the Insurance Reserve Fund—the fund used to pay for environmental remediation—is \$31M.

There was no discussion by the Board.

**Motion by Director Piña, seconded by Director Katz, to adopt Resolution No. 2023-18 approving the Tucson Airport Authority budget and capital improvement program for the fiscal year beginning October 1, 2023 and ending September 30, 2024. The motion carried by the following vote:**

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

**Nays (0)**

**7. DIVISION UPDATES**

**a. Finance and Regulatory Administration**

Vice President/Chief Financial Officer Kim Allison referred the directors to the financial report for June 2023, which was included in the agenda packet. She also addressed a question from Director Rich from the previous meeting regarding the significant increase in expenses between 2019 and 2023.

- The bulk of the increase (\$3.4M) was due to personnel expenses related to cost-of-living adjustments, merit increases, and adding additional employees.
- \$1.9M was for contracted services, \$900K for materials, and \$400K for insurance. Costs had increased due to inflation.

**b. Planning and Engineering**

A division report was included in the agenda packet.

**c. Marketing and Strategic Communications**

Chief Communications Officer Austin Wright reported the following:

- The division is shifting its external marketing efforts to emphasize stress-free travel. The campaign will make use of bus wraps, train

advertisements, and media formats such as radio, social media, and television.

- ❑ TAA has entered into marketing agreement with Arizona Onstage Productions (“Broadway in Tucson”) to continue advertising in their show programs.

**d. Air Service Development**

Chief Communications Officer Austin Wright reported the following:

- ❑ Alaska Airlines will offer daily service to Orange County (SNA) beginning in December. They will also resume nonstop service to Portland (PDX) and Paine Field (PAE) beginning in October.
- ❑ Representatives from Southwest Airlines will visit TUS on September 20. Southwest will offer daily nonstop service to Dallas-Love Field (DAL) on peak travel days through the holiday season; they are also resuming service to Chicago Midway (MDW).
- ❑ A staff memo containing additional information was included in the agenda packet.

**8. EXECUTIVE SESSION**

- a. **FAA Financial Compliance Review** (*Pursuant to A.R.S. § 38-431(A)(3) and (4)*).
- b. **Environmental Matters with EPA and ADEQ - Tucson Airport Remediation Project, Soils Remediation Project, PFAS Issues** (*Pursuant to A.R.S. § 38-431(A)(3) and (4)*).

**Motion by Treasurer Falbaum, seconded by Vice Chair Hammond, to recess the public meeting and convene in executive session. The motion carried by the following vote:**

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

**Nays (0)**

Chair Silvyn recessed the public meeting and the Board convened in executive session at 3:55 p.m. Directors who were on site moved to the Executive Conference Room, and directors who were online were moved into a Microsoft Teams breakout room connected to the Executive Conference Room.

Mr. Murphy and Mr. Foy joined the executive session via Microsoft Teams at 4:18 p.m.

**9. RETURN FROM EXECUTIVE SESSION**

The executive session adjourned at 4:50 p.m. Chair Silvyn reconvened the public meeting at 4:51 p.m.

**10. NEXT MEETING**

Wednesday, November 1, 2023, 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 4:51 p.m.

**APPROVED BY:**

**Prepared by:**

\_\_\_\_\_  
Phil Swaim, Secretary

\_\_\_\_\_  
Byron M. Jones, CMC, TAA Clerk

Date: \_\_\_\_\_

Date: \_\_\_\_\_

October 11, 2023

Tucson Airport Authority  
President/CEO, Danette M. Bewley, A.A.E.  
7250 S. Tucson Blvd., Suite 300  
Tucson, AZ 85756

Dear, Danette:

We are at that time of the year again. The 2023 fall semester has started, and I am happy to share the recipient(s) of the **TUS “Wheels Up” for Aviation Technology Scholarship**. Thanks to your scholarship, talented and deserving learners are getting the chance to pursue a career with less financial burden. Pima Foundation believes that education is a powerful tool for positive change, and we continue to work arduously to be part of that change along with your partnership.

We have great news! Pima Foundation is the primary beneficiary for the proceeds of the Tucson Classics Car Show hosted by the Rotary Club of Tucson happening on October 21, 2023. <https://tucsonclassicscarshow.com/charity/>. Each entrance ticket will automatically be entered into a raffle to win a 2016 C-7 Chevrolet Corvette Convertible. If you are interested in attending this fun event, we have tickets available for purchase on our website <https://pimafoundation.org/event/tucson-classics-car-show/>

**Exciting things are happening at Pima Community College:**

- Graduation 2023 – Approximately 3,200 students graduated this past May. The College awarded nearly 4,500 degrees and certificates; many Pima students earned more than one certificate and/or degree.
- New PCC Leadership - Dr. Dolores Duran-Cerda has stepped into her new position of Interim Chancellor as of August 1, 2023. Dr. Jeff Thies has been hired as the Acting Provost & Executive Vice Chancellor for Academic Affairs. We look forward to this new collaboration with their team.
- The 2023 fall semester started with great success. As of September 15, the total student headcount is 17,800; including Pima OnLine. That is an increase of 1.70% compared to fall 2022.

Pima Community College continues its commitment to offering the education opportunities necessary to upscale our community’s future. Your support and partnership through this journey is important, and we are here to assist in any way that we can.

Sincerely,



Zulma Tapia

*Donor & Alumni Relations Specialist*

[Zulma@PimaFoundation.org](mailto:Zulma@PimaFoundation.org)





## Fall 2023 Scholarship Award Recipients *TUS “Wheels Up” for Aviation Technology Scholarship*

The amount of money available for scholarships in the above-mentioned fund for the 2023-24 academic year is \$7,500. This amount will fund both new awards and any renewals that may be earned by eligible students. Depending upon the award amount and number of students awarded, all of the available funding for scholarships may not be utilized in a given year. Please let us know if you have questions.

Because of your generosity, the following students were provided with a scholarship to achieve their dreams at Pima Community College:

	<b>Student Name</b>	<b>Program of Study</b>	<b>Award Amount</b>	<b>New / Renewed Award</b>
1	Helen Avila	Aviation Technology-AAS-Aircraft Airframe Mechanics	\$2,500	New
2	Jenny Orozco	Airframe Mechanics-CERT	\$2,500	New
3	Dylan Housley	Nondestructive Testing-CERT	\$2,500	New

**Remember:** The Connie Hillman Family Foundation challenge to Pima Foundation is still in place until November 30, 2024. More information may be found at <https://pimafoundation.org/hillman-challenge-campaign/>, by calling 520.206.4646 or emailing [info@pimafoundation.org](mailto:info@pimafoundation.org) – we are happy to answer your questions.

If you would like to add to the amount available for scholarships, please let me know so I may ensure that students are supported at the highest level possible (520.206.4645 or [zulma@pimafoundation.org](mailto:zulma@pimafoundation.org)). No contribution is small, every dollar makes a difference and the positive testimonies of those who have received our scholarships are proof.

*“Receiving scholarships has allowed me to provide my undivided attention to bettering my education. With this I’m able to expedite my college journey and get a strong start on achieving my career goals. I’m extremely fortunate to have received such useful assistance when it matters most.”* Giangelo S.

The scholarship cycle for spring 2024 applications will open on November 6. If you are interested in seeing the list of scholarships offered by the Foundation, please visit <https://pima.scholarshipuniverse.com/public/> where you may view the variety of opportunities available for PCC learners.



**Date:** November 1, 2023

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

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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 May through September; however, I want to highlight a few specific items since our last report at the June Board meeting.

**1. Accelerate Performance**

- a. The Director Development Program is three quarters complete with key areas being taught including Financial Management, Emotional Intelligence, Influence, Project Management, Systems Thinking and Unconscious Bias. Additionally, five Adaptive Leadership sessions have been held for leaders.
- 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. The Board approved an adjusted Compensation Plan at the September Board Meeting, and TAA continues to look at inequities within all job areas and proactively make pay adjustments as the budget allows. We have recently implemented four of the eight retention strategy suggestions presented in June with the remaining four in progress.

**2. Expand Prosperity**

The TAA continues its' efforts to lease/develop non-aeronautical land at TUS and RYN. A few notable updates include:

- a. Sonora South: We have identified the best proposer for a large-scale solar array on this property. Currently, TAA staff are working on terms with the company.
- b. Sonora North/Country Club: We plan to submit the Environmental Assessment for this property within the next month. We are in discussions with Schnitzer Properties to provide the necessary information to complete the package for the FAA review.
- c. The Airline Use Agreement (AUA) 1-year extension (FY24) has been signed by all the airlines. Work will begin in November with the airlines to develop a modernized AUA; we expect to negotiate a 10-year agreement.

**3. Upgrade to First Class Systems and Efficiencies**

- a. Sustainability: Data collection for the Baseline Sustainability Study document is complete; however, this effort took longer than expected due to data validation and has delayed our overall completion date. Work is underway to develop goals and initiatives. Estimated completion of the study is now Q2FY24.
- b. Technology: Many of the items identified in the Technology Roadmap are funded in the FY24 budget. These include an Enterprise Resource Planner (ERP), an Airport Management System designed for airport record keeping, Project Management software, and a new payroll system to name a few.
- c. Cybersecurity: The IT staff continues to spend a great deal of time completing required Action Plans, Assessments, and other required items to fulfill the requirements of the TSA mandated Cyber Security Directive. Our FY24 budget funded additional Cyber Security measures which will be implemented soon. 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.
  - New destinations from Alaska Airlines include Orange County, CA (SNA), Everett Paine Field, WA (PAE) and Portland, OR (PDX).
  - Southwest Airlines will increase capacity with flights to Chicago Midway and Dallas Love Field.
- b. Community Engagement: The TAA continues to support strong community partnerships with community organizations, including the Tucson Roadrunners, FC Tucson, the Jazz Festival, PACC and ON Media/Broadway in Tucson. 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 Member Advocacy Plan has been completed and shared with the Board and Membership in September and October, respectively. The TAA will continue to assist the Board and Membership with advocacy and messaging, as needed.



Accelerate Performance

Goal	Owner	Q3 '23	Q4 '23	Q1 '24	Q2 '24	Q3 '24	Status	Board Update
Leverage and implement the TAA Learning Strategy	Twyla Salaiz						On Track	<b>NEW Twyla Salaiz:</b> The Director Development program is three quarters of the way to completion. Since the program kick off, four courses were completed; Emotional Intelligence, Systems Thinking, Airport Finance, and Unconscious Bias. The Airport Finance class was developed and facilitated by executive leaders to include the CEO, COO, CFO, and CPO. In addition, 5 Adaptive Leadership sessions were held for Directors to work through real work adaptive challenges with their peers. The courses will be leveraged with leaders deeper in the organization. Anti-Harassment leadership training was developed and facilitated by Legal and People Operations for all leaders with direct reports. 09/29/2023
Increase efficiency of People Operations talent process	Twyla Salaiz						On Track	<b>NEW Twyla Salaiz:</b> Multiple initiatives to improve recruiting, onboarding, off boarding, and processes have been implemented. Specifically, a complete audit of all Job Descriptions was completed to assess compliance, consistency, and developing a system that aligns required knowledge, skills and abilities with minimum requirements for each role.
Evaluate causes of attrition and implement retention strategies	Twyla Salaiz						On Track	<b>NEW Twyla Salaiz:</b> In the June board meeting, a retention strategy was put forward to the Board of Directors. Of the 8 items listed, 4 have been implemented to include Anonymous Exit Surveys, Succession Planning actions, Employee Engagement survey, and increased salary bands. The remaining items are in progress.
TAA is a "Great Place To Work"	Twyla Salaiz						On Track	<b>NEW Twyla Salaiz:</b> Converted employee annual survey from "Employee Satisfaction" to "Employee Engagement" with completion in September. The survey was developed with an employee team and multiple launch plan ideas were incorporated to reach more employees and guarantee anonymity to all participants. The survey results are being analyzed and has provided rich feedback.



TAA 2023 PLAN

TAA QUARTERLY BOARD REPORT 2023  
Period Ending 09/30/2023

Expand Prosperity

Goal	Owner	Q3 '23	Q4 '23	Q1 '24	Q2 '24	Q3 '24	Status	Board Update
Commercial Development Plan and Marketing	John Voorhees						On Track	<p><b>NEW John Voorhees:</b> BCD recently executed a brokerage contract with Picor to market TAA's vacant facilities and smaller land parcels. Thus far Picor has brought three interested clients to our facilities/land. We hope to provide positive updates about our building vacancies.</p> <p>BCD has executed a contract amendment with Delaware North to bolster the pricing model in the terminal in exchange for a significant increase in capital outlay from the company during its mid-contract refurbishment project.</p> <p>Rezoning – TAA Manager of Planning and VP/CRO seek to rezone the land along Plumer Ave. The current Mixed Use Zoning is incompatible with desired industrial growth in the area. The new zoning to Light Industrial will permit the expansion of hangars and businesses along the road and on the TUS campus.</p>
Shovel Ready Infrastructure (both TAA land and our utility and community partners)	John Voorhees						On Track	<p><b>NEW John Voorhees:</b> <b>Sonora North</b> - VP/CRO renewed talks with Schnitzer Properties regarding Sonora North (the TAA land between Corona Rd and Los Reales Rd). The environmental assessment of the land has reached the point where their input is beneficial. Schnitzer is reviewing the current plan.</p> <p><b>Sonora East</b> – TAA Manager of Planning and VP/CRO have broken up to 2500+ acre parcel into smaller phases for development. Those phases are planned to mirror the growth of industrial utility capacity in the region. A key factor in the readiness of this land for market will be the expansion of Alvernon Way into an all-weather 4-lane parkway. VP/CRO has reached out to developers to assess interest in a strategic partnership to develop the land. First meeting is toward the end of October.</p> <p><b>Sonora West</b> – No progress has been made to develop the area along Aerospace Parkway. Significant electrical utility development is occurring to support the American Battery Factory project. TAA is negotiating with TEP to provide an easement for new lines along the southern border of Sonora West (Old Vail Connection). This land is quite lucrative for future growth in the area and will likely be negotiated at a premium.</p>



Expand Prosperity

Goal	Owner	Q3 '23	Q4 '23	Q1 '24	Q2 '24	Q3 '24	Status	Board Update
Shovel Ready Infrastructure (both TAA land and our utility and community partners) Continued	John Voorhees						On Track	<p><b>NEW John Voorhees:</b></p> <p><b>Sonora South</b> – Project Lasso has identified a winning proposer for a large-scale solar array on the property. Pending negotiation of terms and Board approval, TAA will move forward with the federal vetting process to develop over 1000 acres of land for this solar project. The project is expected to produce 100MW of energy for the area and about 50 MW of storage.</p> <p><b>Airside</b> – The Country Club extension area (shared with Sonora North) approaches the final stages of data gathering for the FAA-mandated Environmental Assessment. Once complete, over 500 acres of airside land will become available to develop. Mitigation of the Airport Wash in the area will reduce the amount of buildable land. However, the addition of this airside campus should satisfy regional airside expansion needs for the future given current development trends.</p>
Negotiate Airline Use Agreement	Austin Wright						On Track	<p><b>NEW Austin Wright:</b></p> <p>A one year extension of the Airline Use Agreement with the airlines went into effect October 1, 2024. Work is beginning on the new Airline Use Agreement; the TAA and airlines will begin discussions on November 3, 2024, for a new AUA to start FY25 (possibly 10-year agreement).</p>
Expand Air Service Development Options	Austin Wright						On Track	<p><b>NEW Austin Wright:</b></p> <p>TUS continues to see increased air service offerings due to active engagement between the TAA and our airline partners. TAA attended Jump Start Air Service Conference in August 2023, and held airline meetings with American Airlines and Southwest Airlines at TUS in September. New routes include Orange County (SNA), Everett (PAE), and Portland (PDX) on Alaska Airlines, and we are welcoming increased capacity to Chicago with a returning nonstop flight to Chicago Midway (MDW) on Southwest.</p>



Upgrade to First Class Systems

Goal	Owner	Q3 '23	Q4 '23	Q1 '24	Q2 '24	Q3 '24	Status	Board Update
Complete Sustainability Master Plan	Ken Nichols						Behind	<p><b>NEW Ken Nichols:</b> Development of the Sustainability Management Plan is now in progress. Completion of the baseline studies was delayed due to the time required for data validation and review resulting in a delay for the completion of the project. The end date for completion is now estimated as Q2 FY24.</p>
Scope Enterprise Documentation Strategy	Bruce Goetz						Behind	<p><b>NEW Bruce Goetz:</b> This is a multi phased project that is behind schedule due to the efforts needed to comply with TSA Cyber Security mandates. The two phases are as follows:</p> <p>Phase 1:</p> <ul style="list-style-type: none"> <li>• Converting all users to Microsoft OneDrive – complete</li> <li>• Converting and cleaning up departmental share drives and moving to backend SharePoint – Scheduled to take place in October.</li> </ul> <p>Phase 2:</p> <ul style="list-style-type: none"> <li>• Procure a document management system to manage both digital and paper documents. This system will assist in the retention and deletion of files as well as archiving</li> </ul> <p>With new Cybersecurity mandates, the IT department has been unable to start Phase 2. We anticipate this task to take place near the end of 2024.</p>
TAA Cyber Security Program	Bruce Goetz						On Track	<p><b>NEW Bruce Goetz:</b> As we continue to enhance our Cybersecurity posture and adhere to TSA mandates, the IT department has made the following progress:</p> <p>Governance:</p> <ul style="list-style-type: none"> <li>• TSA Assessment – in progress and ongoing</li> <li>• Cybersecurity Incident Response Plan - complete</li> <li>• TAA/TSA/CISA Cyber Incident Reporting Policy – complete</li> <li>• Technology Room Access Policy - complete</li> <li>• Cyber Risk Assessment Policy – Final review</li> <li>• MFA/Zero Trust – evaluating solutions</li> <li>• Critical System(s) Identification – complete</li> <li>• Least Privileged Access to critical systems – evaluating</li> <li>• Information Security Contract Addendum – complete</li> <li>• Cybersecurity Training Awareness Policy – draft form</li> </ul>



Upgrade to First Class Systems

Goal	Owner	Q3 '23	Q4 '23	Q1 '24	Q2 '24	Q3 '24	Status	Board Update
TAA Cyber Security Program (Continued)	Bruce Goetz						On Track	<p><b>NEW Bruce Goetz:</b></p> <p>Projects:</p> <ul style="list-style-type: none"> <li>• Firewall replacement – September 2023</li> <li>• Hybrid Data Center – October 2023</li> <li>• Microsoft Teams Voice – November 2023</li> <li>• Multi Factor Authentication (MFA) – December 2023</li> </ul>
Establish a Technology Roadmap to meet all stakeholder needs	Bruce Goetz						On Track	<p><b>NEW Bruce Goetz:</b></p> <p>The IT department has completed a 5-year IT Strategic Plan. This plan encompasses:</p> <ul style="list-style-type: none"> <li>• Capital projects</li> <li>• Technology lifecycle replacement</li> <li>• Enterprise software systems</li> </ul> <p>The IT department has had discussions with other TAA departments to provide input based on their needs.</p> <p>Numerous projects identified in the 5-year IT plan have been funded in FY24 and are as follows:</p> <ul style="list-style-type: none"> <li>• New ERP system</li> <li>• New Payroll system</li> <li>• Common Use Gate Management System</li> <li>• Replacement of Access Control System</li> <li>• Parking and Revenue Control System</li> <li>• Airport Management System to include:               <ul style="list-style-type: none"> <li>• Workorders</li> <li>• Part 139 inspections</li> <li>• Safety Management System tracking</li> <li>• Asset Management</li> </ul> </li> </ul>



Create External Champions

Goal	Owner	Q3 '23	Q4 '23	Q1 '24	Q2 '24	Q3 '24	Status	Board Update
Determine and activate a Community Value Proposition based on community survey results	Austin Wright						On Track	<p><b>NEW Austin Wright:</b> The final Community Value Proposition (CVP) was utilized to update strategic messaging both for our Marketing messaging and branding. The 'Nonstop' campaign is evolving to highlight the ease of use at TUS. Radio, commercial, and print ads will now say Nonstop for easy travel from TUS. The community's key connection was to the economic impact of the airport; however, that message has been in the community for two years now. As we identify the need to stop leakage to PHX and the need to retain new routes, reminding the community how easy the airport is to use will be the focal point for updating messaging.</p>
Continue outreach and partnerships within the tourism sector	Austin Wright						On Track	<p><b>NEW Austin Wright:</b> Austin Wright (Chief Communications Officer) and Brian Kidd (Director of Air Service and Marketing) continue to collaborate with Visit Tucson to support and expand air service. Austin Wright is on the Board of Directors for Visit Tucson. Regular meetings have been held between TAA and Visit Tucson.</p> <p>In addition, the TAA has entered into another community partnership with Tucson Roadrunners hockey. TUS will be the key sponsor of beach night in January to highlight the new nonstop beach service to Orange County. In addition, TUS will be on the ice logo sponsor.</p> <p>TUS is also featured in the 'Broadway in Tucson' show booklets. Highlighting our ease of use in the booklet for the entire season of shows.</p>
Identify and cultivate Member Value Proposition with an accompanying advocacy plan for membership engagement opportunities	Austin Wright						On Track	<p><b>NEW Austin Wright:</b> The Marketing team in collaboration with the CEO finalized the Member Advocacy Plan. The plan and advocacy points were presented at the September Board Meeting. In addition the advocacy plan was shared with the Members in the October Member Advisory.</p>



# Leading Change at the Tucson Airport Authority

November 6th Update, 2023

## ANSWERING THE CALL FOR CHANGE

Jan Hill, Leadership Consultant & Executive Coach



In July of 2019, the Tucson Airport Authority (TAA) Board's Executive Council determined that it was **time for a change in the direction and leadership of TAA to better fulfill its mission as an economic engine and community partner**. The Board, comprised of prominent Tucson business leaders, working on a volunteer basis to shepherd one of Tucson's greatest assets, had agreed to embark on a long-term change journey. The goal was to strategically shift the culture and priorities of the TAA to embrace collaboration and transparency, focus on economic development, and prepare the institution for

the future. They invited Danette Bewley, the VP of Operations/Chief Operating Officer, managing 70% of the 250-person workforce including safety, police, fire, communications, maintenance, custodial services, and operations for Tucson International Airport (TUS) and Ryan Airfield (RYN), to the interim role of President/CEO followed by a permanent appointment in December 2019.

*"The goal was to strategically shift the culture and priorities of the TAA..."*

# Leadership Required

At the invitation of then Board Chair Lisa Lovallo, I began to partner with the Board, Danette, and TAA's Executive Team as a strategic leadership consultant and executive coach in January 2020. My immediate curiosity was whether the CEO and the Board were **fully aware of, and committed to, leading the long-term transformational efforts required to achieve their desired results**. Large scale organizational change is daunting; it takes courage for a Board to commit to a transition at the top, and it doesn't always work out. Harvard Business Review reports that between one-third and one-half of new CEOs fail within the first 18 months. In my multi-decade career, I've witnessed Boards and CEOs lose steam, back off when circumstances got tough and fail to deliver on their idealized plans. In TAA's case, the Board and their chosen CEO have exhibited exceptional fortitude, adapting and leading TAA despite extraordinary trials and tribulations. The

*"...it takes courage for a Board to commit to a transition..."*

organization is now four years into a successful transformational journey, achieving many of its initial goals, but the job is not yet finished. Board Chair Keri Silvyn has asked me to share my third-party perspective on TAA's evolution to date.

The success or failure of a change effort largely depends on the mindset and capabilities of the CEO who shoulders the burden of expectations and results. I quickly deemed that Danette was up for the challenge. She literally had aviation flowing through her bloodstream. She spent her formative years in San Diego, visiting Miramar where her father, Jack Bewley, was a decorated fighter pilot and one of the original aviators who developed what is now known as "Top Gun." Sitting around the dinner table with her dad and his pilot pals and hearing of their exploits imbued her with the aspiration of becoming a naval aviator. This dream was quashed when she learned that the Navy had yet to see the wisdom of allowing her gender to ascend to the cockpit of a fighter jet. Undaunted, she dedicated herself to a career in aviation, which eventually lead her to TAA.

Leading TAA's transformation allowed Danette to access the mentality, discipline, and values of a highly disciplined fighter pilot: understand your mission and commit to it with unwavering resolve, know your plane, expect to encounter turbulence, and attract "bogeys," and hold your seat.

*"...understand your mission and commit to it..."*



### **Navigating significant organizational change requires:**


- **RETHINKING** your strategies and priorities to achieve an idealized future,
- **ALIGNING** the structure/shape of the organization to achieve goals,
- **SECURING AND DEVELOPING** talent and placing the right people in right roles,
- **ESTABLISHING** a vibrant culture that enjoys the mission, and
- **RENOVATING** processes and systems to better support the work.

For many of us, the closest analogy would be undertaking a full-scale home remodel after determining it is time to address all your deferred maintenance and upgrade to the home of your dreams. It requires clarity of vision, a healthy budget, a team of qualified contractors to do the work and a willingness to be continually stressed and surprised by what you find once you start opening the walls.

# Leading Change at the Tucson Airport Authority

## The Path

At the TAA, there were significant “renovations” that were envisioned by the new President/CEO, with advisement from a collaborative Board partnership, within the first year and a half as outlined in the following chart. By the first half of 2020, **Danette and the Executive Team (ET) had crafted a multi-year Strategic Plan** that outlined priority initiatives and goals to achieve the desired state indicated in the “TO” column below. With the team’s diligent focus, drive and accountability, many of the items have either been achieved or will be within the next few years.

 FOCUS	From	To
<b>CULTURE</b>	<p>Autocratic hierarchy of “command and control” focused on compliance and maintaining the status quo, running on a restricted budget.</p> <p>Employees not leading but waiting to be told what to do.</p> <p>Limited community engagement and partnership.</p>	<p>A culture of cross-group collaboration and engagement with a “can do” attitude, an employee-led organization that creates a Great Place to Work with a high bar for productivity and a President/CEO who is actively engaged in the Southern Arizona community, working to grow and sustain the TAA asset.</p>
<b>STRUCTURE</b>	<p>Siloed, unbalanced, and underfunded. Not working collectively to achieve priorities.</p> <p>A small group of leaders on the Executive Team (ET) with too many responsibilities, often doing the work of the people below them.</p> <p>Example: CFO was head of Finance, HR, IT, Procurement, Properties and Concessions, Office Records and Warehouse. Limited investment in economic development related to air service development and land use – a primary part of the mission.</p> <p>Safety and security programs were severely understaffed and had many single points of failure.</p> <p>A marketing team lacking the vision and experience to adapt to the future needs of TAA. This included the ability to broadcast a clear brand identity and messaging strategy to fuel internal and external communications and events, along with marketing for critical air service development.</p> <p>An Executive Team and group of Directors and Managers who had not been supported with skills training, and evolving job skills. Importantly, most were not aware of or practiced in managing performance.</p>	<p>An organization designed to collaboratively deliver on current and future needs. An inspired and connected Executive Team with skills/mindsets focused on growth and collective achievement.</p> <p>Appropriate leadership span of control and responsibility with these priority gaps to address:</p> <p>A new VP of Operations/Chief Operating Officer to replace Danette and assist with leadership of the ET. This, to be coupled with learning and development for the executives leading the transformation.</p> <p>A People Operations Division to drive talent acquisition and development focused on TAA’s desired culture in addition to traditional HR responsibilities.</p> <p>An IT operation to bring TAA into the 21st century with a plan for continual evolvement.</p> <p>A plan for leading and staffing teams dedicated to economic development through land use/tenants and air service development. This also included the safety and security staff necessary to support a 24-hour operation at two airports.</p> <p>A new brand (“Nonstop for Tucson” campaign), marketing team singularly focused on messaging the airport system asset and attracting users to use the airport.</p>

## The Path ~ cont.

**FOCUS**

*From*

*To*

**STRATEGY**

Annual business plans with limited metrics and accountability.  
Goals created by the CEO in a “top-down” fashion.

A modernized vision statement (Landing Prosperity in Southern Arizona) and new mission statement.

A multi-year Strategic Plan, created by the ET with Board input, driving key strategic initiatives and success metrics, as a “living document” regularly updated and focusing the work of the TAA.

**SYSTEMS & PROCESSES**

Driven mostly by a plethora of policies to be followed.

Budgeting was controlled by the CEO without transparency. Technology and talent acquisition and development were outdated, underfunded, understaffed and insufficient.

Project Management was lacking across the company. Support databases and reporting were clunky and much of the work and processes existed in employees’ heads and not on paper or utilizing software.

Limited performance management.

An ET engaged in understanding the revenue streams and operating costs (budget) and working together to develop an appropriate budget which supported the upgrade to first class processes and systems to deliver the strategic plan.

Strategic Workforce Planning to determine talent needs and build a plan for funding the needs to best support the organization and airport system at sustainable levels.

Training and development for executives to grow their capacity and capabilities.

A scaled plan to upgrade key technologies and systems.

Embedded Project Management protocols across TAA.





# Encountering Turbulence

When all of this began, no one envisioned the “perfect storm” of disruption that would plague the TAA during the ensuing years, making TAA’s change journey ever more arduous.

### 2020: The COVID Pandemic

Of unknown duration and impact, this event immediately affected TAA’s main source of revenue, airline, and passenger-related revenues, significantly hampering the budget to begin the work outlined above. Employees became somewhat unfocused and diffused with some operating remotely that were not required for the day-to-day ongoing operations of TAA. Meetings, goal setting and collaboration were via WebEx, masks were omnipresent, employees were out sick. There was no ability to communicate or manage change with in-person connection and dialogue. No one knew how long this situation would last.

Nonetheless, TAA became innovative in its airport response, housing testing stations and shot clinics, putting in self-cleaning ultra-violet disinfecting mechanisms in the escalator systems and foot buttons on elevators to ensure a touchless experience, ultimately being one of the first airports in the world to earn the Global Bio-Risk Council accreditation for exceptional airport cleanliness, all while doing everything to maintain as much air service as possible.

### 2021: Ongoing COVID Pandemic and Economic Crisis

As the pandemic raged on, economic restraints further constrained TAA’s budgeted plans, employees were now spending more time with family and attending to those needs, increasingly disconnected from the workplace. Turnover was on the upswing as employees and managers began to reconsider their “fit” with the challenging level of work required to fulfill strategic goals. The ET continued to work unrelentingly to manifest change goals, updating the Strategic Plan for the coming years. Uncertainty was a constant companion. Yet the team soldiered on and began to rebuild lost air service and passenger confidence in flying TUS.

## Encountering Turbulence ~ cont.

### 2022: The Great Resignation, War in Ukraine, Political Strife, Economic Uncertainty

Prior to the pandemic, 47% of executives in U.S. businesses had reported their employees were experiencing “change fatigue” and that percentage escalated thereafter. By 2022 this led to “the Great Resignation” where over 50 million U.S. employees quit their jobs, some retiring early, some seeking greener pastures, and some just taking a break.

TAA was no exception, experiencing heightened employee turnover well into 2023. TAA’s turnover rate had averaged around 23% since 2021 as compared to 47% for the country according to the U.S. Bureau of Labor Statistics. Across the U.S. there were also reports that many employees had “retired in place” or “quietly quit,” lowering productivity and putting more pressure on managers to pick up the slack and/or performance manage low performers out. The cost of talent skyrocketed as demand exceeded supply. Add to this ongoing economic uncertainty, increased interest rates, impacts of government funding the war in Ukraine, lack of revenue and political strife in Washington fomenting government shutdowns that would further impact the FAA and grant funding/reimbursements for the TAA. Many airlines had taken pandemic funding and used it to better their bottom lines vs. investing in systems (note the Southwest customer routing disaster in December) and had yet to rebuild their cadre of pilots and staff to fulfill the increasing demand for travel. Leadership and employees at TAA were feeling beleaguered and worn out, but still focused on ensuring desired changes/improvements were taking place.

### 2023: Uncertainty: Inflation/Potential Recession, Political Strife, Mandates, The “Big Quit” Ends

American businesses, and the TAA, began the year desperately hoping for a return to 2019 levels of financial stability and productivity. By July, there were some hopeful signs that a recession could be staved off although interest rates remain elevated, workers were beginning to shake off their malaise and rejoin the workforce, companies appreciated that they could acquire talent at rates that were still high, but lower than in 2022, and people were ready to travel. Political strife reached a fever pitch with ongoing threats to shut down the government which greatly impact the support TAA needs from the FAA with regard to capital programming, grant funding, grant reimbursements, and operational approvals. During this time, the FAA also launched a 12-month+ (to date) Compliance Audit further taxing the time required by the President/CEO and General Counsel to respond to ongoing requests for information and justifications. In addition, the TSA imposed costly mandates related to cybersecurity and protocols, and employee security screening, without funding their implementation, thereby impacting TAA’s operating revenues and straining existing resources.

**WHEW!**

## Leading Change at the Tucson Airport Authority

### Teamwork

During all of this, TAA's President/CEO, with the support of three Board Chairs and Executive Councils through her tenure, managed to establish a strong extended Executive Team, comprised of hard working, talented professionals who can

*"...professionals who can deliver..."*

deliver results. Of the ET from late 2019, only three remain: Danette Bewley, Bruce Goetz, EVP/COO, and Chris Schmaltz VP/General Counsel. Six capable new leaders with new perspectives, experiences and skills have been recruited, onboarded and have

been working diligently to evolve and energize their teams and their operations to fulfill the dreams and ideals of the TAA. For most, this will likely be the heaviest lift and proudest moment of their careers.

It helps that they also happen to like one another and maintain an air of positivity despite ever-present challenges and the constant need to pivot. **Together, they have worked diligently to shape and deliver on a "living" Strategic Plan despite all impediments.**

### Leadership

I know that "it takes a village" to achieve the results that the TAA has enjoyed during these past years of hardship. Many employees, leaders, board members, and external stakeholders have contributed greatly to this enterprise, and are to be celebrated.

*"...'it takes a village'..."*

I titled this piece "Leading Change at TAA" because it is important to note that leadership does not occur in a vacuum. It happens at a particular time, in a particular place with a particular set of circumstances. Leadership is hard; it requires getting people to follow you into uncharted territory, including those times when the leaders themselves aren't totally sure of what they are doing.

The person who has shouldered the bulk of this responsibility and its demands at TAA is Danette. I have developed tremendous respect for her. Unlike other executives I've worked with, she has been unwavering, stretching herself and the TAA to grow exponentially. My partnership requires building intimate relationships with the CEO and executives and having a ring-side seat in their world and its challenges. All leaders have their own unique brand of towering skills and undesirable flaws and Danette is no exception.

Under stress and under fire, the TAA has witnessed a leader who was fierce, clearly focused on the mission and the target, exceptionally direct and spirited. There are those who have found it challenging to deal with her intensity and unwillingness to lower the bar on her expectations for performance. By comparison, those who clearly understood the change journey that she and the Board had envisioned, appreciated that her brand of leadership and experience were what was required to ensure change during a daunting period in TAA's history. By partnering with her, they have also experienced her natural joy and sense of humor along with the care and support she offers those on the path with her.

This December will conclude her 4th year in the permanent CEO role and by all accounts she and the entire team at the TAA have met and often exceeded expectations, proving that the Board has made and supported the best decisions for this community asset. The TAA's economic impact to Southern Arizona was last calculated at **\$8.3B per annum!** This will only grow as there are plans for billions of dollars of improvements in the infrastructure and development of the airfields, terminal complex, and land assets over the coming years.

**The change journey envisioned in early 2020 will continue for years to come, and there will be new challenges, but the TAA is arguably in better shape than ever before.** Danette views this as meaningful "legacy work" yet admits that "I would just like one year without a looming crisis!" I think we all join her in that wish.

And by the way, she eventually did get to fly several times in navy and air force aircraft rocking Mach and pulling over 7 g's (G-Force) in an Arizona Air National Guard F-16 aircraft.



Jan guides high-performing leaders through pivotal moments of change and growth, and gives them the tools they need to thrive and prosper. [www.hillenterprises.com](http://www.hillenterprises.com)



# Attrition and Retention

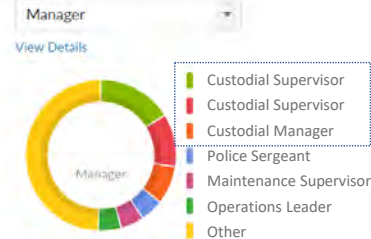
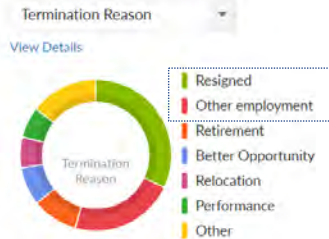
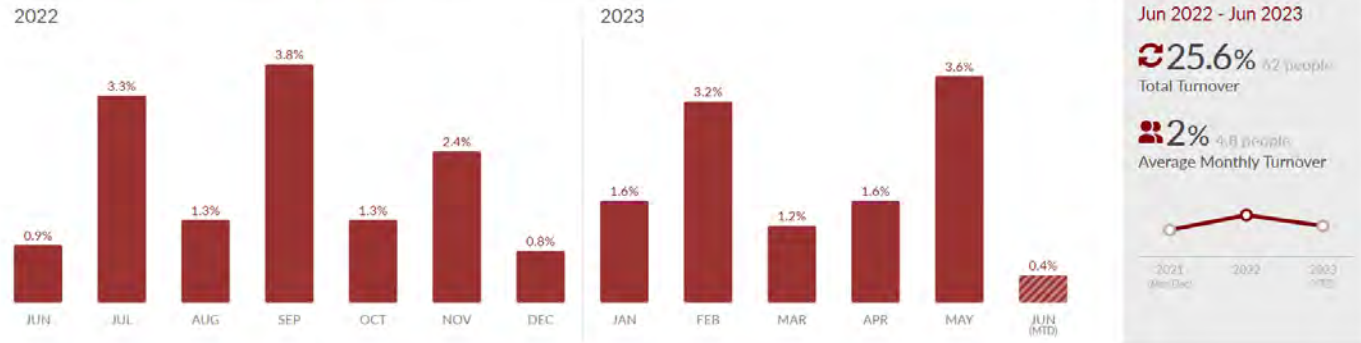


# Employee Attrition – July YTD

## Employee Turnover

How's this calculated? [More](#)

Jun 2022 Jun 2023 All Employees [Reset](#)

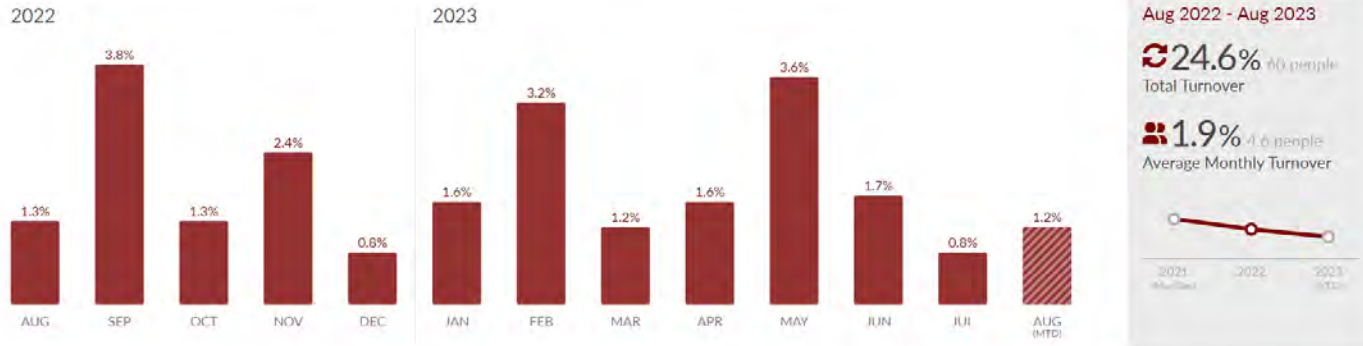


# Employee Attrition – August YTD

## Employee Turnover

How's this calculated? More ▾

Aug 2022 – Aug 2023 All Employees



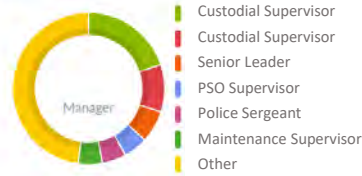
Termination Reason ▾

View Details



Manager ▾

View Details

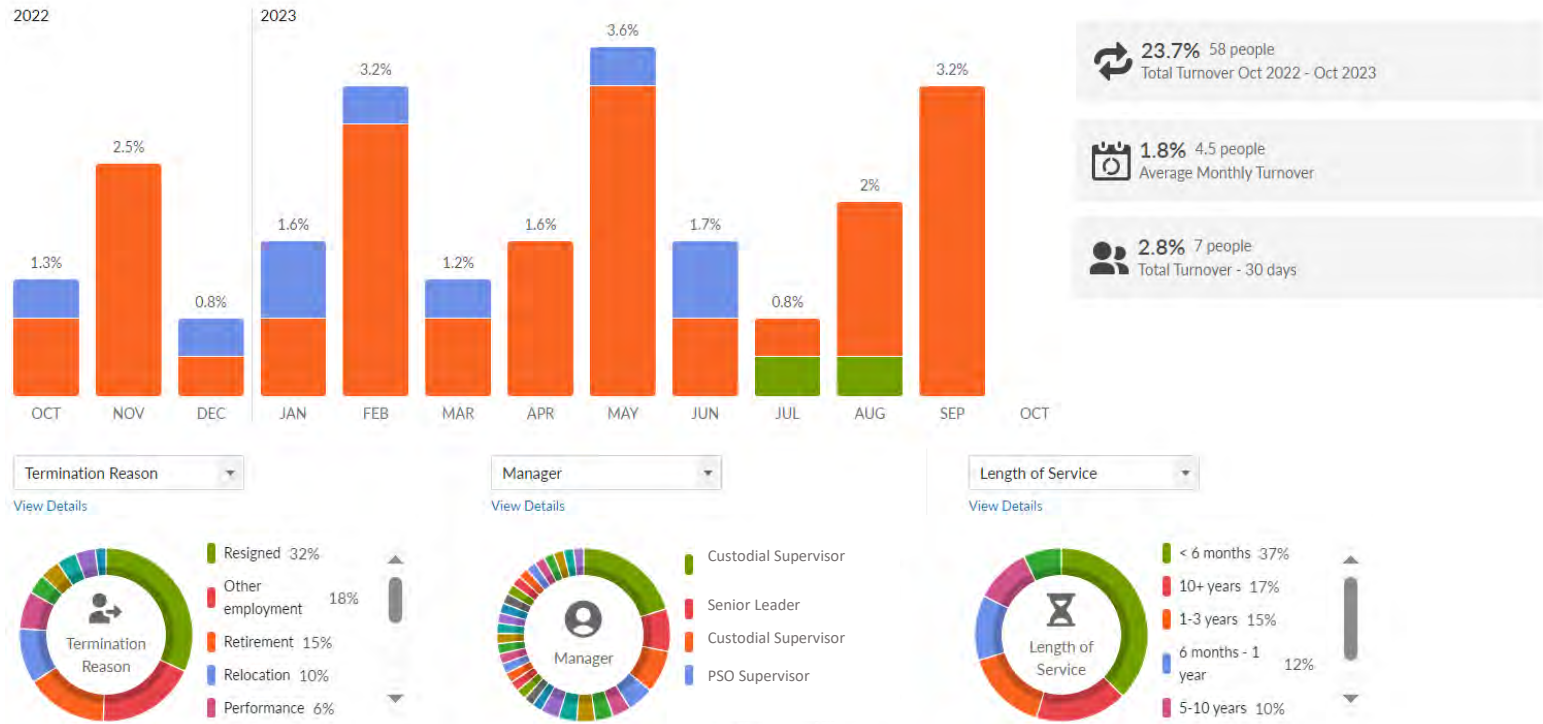


Length of Service ▾

View Details



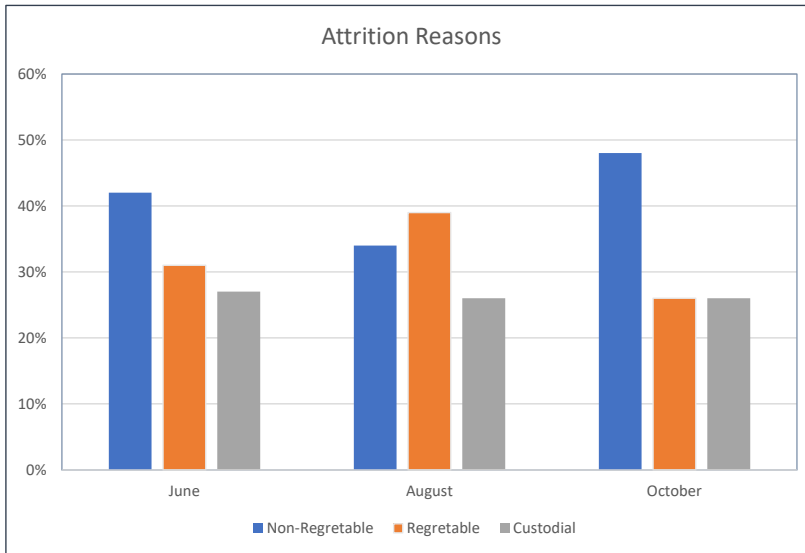
# Employee Attrition – October 1 YTD



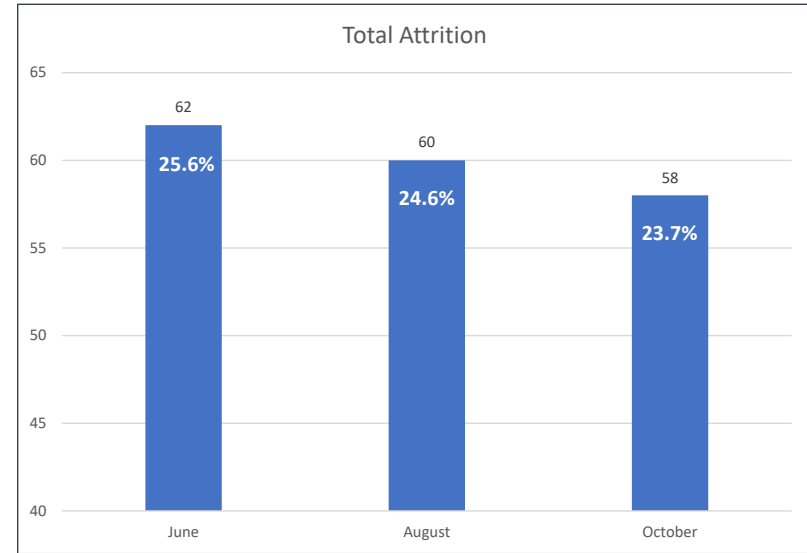
# Comparison June 22/23 to August 22/23

Positive trend towards annualized attrition:

- Annualized attrition dropping monthly
- Monthly % dropping



*\*Non-Regrettable includes retirements, termination, and individuals resigning with performance issues*



Continued work needed with Custodial hires to reduce attrition to include raising the lowest paid wage earners

## Progress on Retention Strategy:

	Accomplishments
<b>Engagement</b>	<ul style="list-style-type: none"><li>• Involve employees when making employee impacting decisions</li><li>• Hold front line leaders accountable to connect with their team members</li><li>• Employee team created Engagement Survey and launch plan</li></ul>
<b>Gratitude</b>	<ul style="list-style-type: none"><li>• Formal channels being leveraged</li></ul>
<b>Career Development</b>	<ul style="list-style-type: none"><li>• Started proactive career planning for “Up &amp; Coming” talent</li></ul>
<b>Proactive Understanding</b>	<ul style="list-style-type: none"><li>• Completed Employee Engagement Survey</li><li>• Deployed anonymous Exit Surveys</li><li>• Monitoring attrition monthly and review exit survey trends</li></ul>

### ***People Operations Actions:***

- *“Office Hours” set up on a rotating basis for different work areas*
- *FY24 increase salary band in line with inflation approved by board*
- *Hold leaders accountable for connecting with their team members and completing all onboarding actions for new hires*



## **FY 2024 TAA Amended Operating Budget**

TAA Board of Directors Meeting

November 1, 2023



FY 2024 Budget Amendment



# FY 2024 Revenues

	2024	2023	2023	2022	2024 Budget vs 2023 Forecast	
<b>NO AMENDMENT TO REVENUES</b>	Budget	Forecast	Budget	Actual	Dollar Inc/(Dec)	% Inc/(Dec)
<u>Operating Revenue</u>						
Revenue from Signatory Airlines						
(Other than landing fees and fuel sales)	\$ 9,671,803	\$ 8,504,402	\$ 8,401,847	\$ 8,210,992	\$ 1,167,401	13.73%
Fees and Rental Revenue	10,511,128	9,581,720	8,733,696	8,466,501	929,409	9.70%
Concession Revenue	22,390,019	22,289,906	19,726,626	18,741,847	100,113	0.45%
Fuel Sales (net of cost of sales)	26,136	26,136	33,501	40,324	-	0.00%
Other System Revenue	4,035,087	3,962,505	3,591,490	3,972,189	72,582	1.83%
	<u>46,634,174</u>	<u>44,364,669</u>	<u>40,487,160</u>	<u>39,431,853</u>	<u>2,269,505</u>	<u>5.12%</u>
<u>Non-Operating Revenue</u>						
Interest Revenue	526,646	921,631	226,453	264,669	(394,985)	-42.86%
<b>Total Revenue</b>	<b>\$ 47,160,820</b>	<b>\$ 45,286,299</b>	<b>\$ 40,713,613</b>	<b>\$ 39,696,522</b>	<b>\$ 1,874,520</b>	<b>4.14%</b>



# FY 2024 Expenses

	2024	2023	2023	2022	2024 Budget vs 2023 Forecast	
	Budget	Forecast	Budget	Actual	Dollar Inc/(Dec)	% Inc/(Dec)
Total Revenue	\$ 47,160,820	\$ 45,286,299	\$ 40,713,614	\$ 39,696,522	\$ 1,874,520	4.1%
<u>Operating Expenses</u>						
Personnel Expenses	26,835,175	25,009,124	24,248,404	23,398,275	1,826,051	7.3%
Contractual/Purchased Services	11,670,643	8,896,346	10,444,775	8,954,187	2,774,297	31.2%
Materials/Supplies	3,288,132	2,359,996	2,390,561	1,704,130	928,136	39.3%
Other Operating Expenses	1,813,709	1,823,583	1,849,118	1,315,735	(9,874)	-0.5%
TSA Mandate	1,101,501	-	-	-	-	0.0%
Total Operating Expenses	44,709,160	38,089,049	38,932,858	35,372,328	6,620,111	17.4%
Net Operating Income	\$ 2,451,660	\$ 7,197,251	\$ 1,780,756	\$ 4,324,194	\$ (4,745,591)	-65.9%

# FY 2024 Landing Fee Requirement

	2024 Budget	2023 Forecast	2023 Budget	2022 Actual	2024 Budget vs 2023 Forecast	
					Dollar Inc/(Dec)	% Inc/(Dec)
Net Operating Income	\$ 2,451,660	\$ 7,197,251	\$ 1,780,756	\$ 4,324,194	\$ (4,745,591)	-65.9%
Total Debt Service	4,969,887	4,685,186	4,685,186	4,225,865	284,701	6.1%
Total Fund Transfers	(11,242,662)	1,574,040	(3,120,756)	3,115,094	(12,816,702)	-814.3%
<u>Capital Requirements</u>						
Capital Improvement Projects (CIP)	33,654,907	7,917,408	7,917,408	2,008,390	25,737,499	325.1%
Capital Outlay	1,706,591	140,975	140,975	1,114,858	1,565,616	1110.6%
Capitalized Major Maintenance	996,004	2,986,073	1,009,366	4,463,533	(1,990,069)	-66.6%
<u>Special Funding Sources</u>						
Capital Improvement Fund	(1,576,007)	(1,500,959)	(1,500,959)	(1,429,485)	(75,048)	5.0%
Special Reserve Fund	-	(4,326,766)	(4,326,766)	(6,515,453)	4,326,766	-100.0%
Maintenance Reserve Fund	-	(1,976,707)	(769,394)	-	1,976,707	-100.0%
Common Area Major Maintenance Funds	-	-	-	(602,108)	-	0.0%
Total Capital Requirements	34,781,495	3,240,024	2,470,630	(960,265)	31,541,471	973.5%
Airline Reserve Funds Applied to System	21,732,745	-	-	-	21,732,745	100.0%
Signatory Landing Fee Requirement (Residual)	\$ 4,324,316	\$ 2,301,999	\$ 2,254,303	\$ 2,056,501	\$ 2,022,317	87.9%

# FY 2024 Landing Fee

	2024	2023	2023	2022	2024 Budget vs 2023 Forecast	
	Budget	Forecast	Budget	Actual	Dollar Inc/(Dec)	% Inc/(Dec)
Signatory Landing Fee Requirement (Residual)	\$ 4,324,316	\$ 2,301,999	\$ 2,254,303	\$ 2,056,501	\$ 2,022,317	87.9%
Landed Weight Signatory Airlines	2,142,102	2,001,739	1,962,252	1,788,249	140,364	7.0%
Calculated Landing Fee	\$ 2.02		\$ 1.15		\$ 0.87	75.5%

# FY 2024 Budget

Questions?

# THANK YOU



**Date:** November 1, 2023

**To:** Board of Directors  
**From:** Bruce Goetz, Executive Vice President/Chief Operating Officer  
Kim Allison, Vice President/Chief Financial Officer  
**Re:** FY24 Operating Budget Amendment

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**Background:**

The Transportation Security Administration (TSA) is tasked with managing the nation’s civil aviation security (security screening at checkpoints to ensure commercial air service is as safe as possible from threats and terrorism). Airports are tasked with airport security including performing background checks utilizing the national criminal records clearinghouse, managing access control to secure and sterile areas through effective technologies, and performing other TSA-required Sensitive Security Information protocols to meet federal standards (Police, Explosive Detection Canine Teams, etc.). All commercial service airports serving air carriers with more than 30 seats are required to meet the TSA federal requirements (or face certification consequences). Additionally, Airlines also have TSA required security programs to ensure the protection of their assets and to protect civil aviation. Between the three-pronged approach (TSA, Airports and Airlines), U.S. aviation security is the strongest it has ever been.

The TSA mandate requires airport operators to set up and pay for an independent security checkpoint to screen airport employees. Over the last decade, the TSA has frequently attempted to shift responsibility and costs onto airports. In the past, airports as a collective have been successful in pushing back on these attempts. However, the TSA has found a new avenue to force change through a “National Amendment” / “Notice of Informed Compliance.” This avenue bypasses the Notice of Proposed Rule Making (NPRM) process, which allows for adequate notice and a public comment period before a final regulation or rule is enacted. While the TAA opposes the TSA’s approach, Airport Operators are required to comply with the “Notice of Informed Compliance,” dated September 6, 2023, and effective September 25, 2023.

**Strategic Plan | Analysis:**

It is a basic premise that the TAA will operate the airport system in compliance with federal regulations. This proposed action supports the Strategic Plan and the mission of the TAA to “provide a sustainable airport system and constantly pursue initiatives that promote and grow business opportunities.” In this regard and relating to the TSA mandate, the focus is on having a “sustainable airport system.”

**Cost Analysis:**

To meet this unfunded mandate by the September 25, 2024 TSA deadline, it is necessary to amend the FY24 budget to hire additional personnel and acquire the necessary equipment required to perform these additional screenings. This was not included in the original FY24



budget at the time it was approved due to the uncertainty of this mandate and the potential that it would be reversed or rescinded. Police Officers and Public Service Officers are in high demand and require comprehensive background checks, which can take months. Furthermore, once hired these positions require extensive familiarization training to ensure they are capable to operate independently in the airport environment, which also takes months. Beginning the hiring and training process now will position the TAA to meet the September 25, 2024 TSA deadline.

Budget Category	Description	Cost
Personnel	6 Police Officers	\$844,457
	2 Public Service Officers	
O&M	Uniforms and Equipment	\$107,044
Capital Outlay	Vehicles (2)	\$150,000
<b>Total Budget Amendment</b>		<b>\$1,101,501</b>

The budget amendment of \$1,101,501 increases the TAA FY24 Operating Budget from \$43,607,659 to \$44,709,160 and will affect the FY24 Landing Fee of \$1.50 per 1,000 lbs. maximum gross weight by \$0.52, raising the total Landing Fee to \$2.02 per 1,000 lbs. maximum gross weight.

The TAA met with the Airport and Airline Affairs Committee (AAAC), corporate Airline representatives, on September 25, 2023 to discuss the “National Amendment” / “Notice of Informed Compliance,” and advised them of the Landing Fee rate change to support the FY24 Budget Amendment. The AAAC understands the TSA mandate requirements and acknowledges the FY24 Budget Amendment is necessary.

TAA management presented this information to the Finance and Risk Management Council on October 9, 2023. The vote was unanimous to recommend the Board of Directors adopt the FY24 Budget Amendment in the amount of \$1,101,501, raising the FY24 Operating Budget to \$44,709,160.

**Recommendation:**

Adopt Resolution No. 2023-20 approving an amendment to the FY 2024 Operating Budget in the amount of approximately \$1,101,501, to implement security measures to comply with the Transportation Security Administration (TSA) National Emergency Amendment and Notice of Informed Compliance dated September 6, 2023.

**Attachments:**

1. Revised FY24 Operating Budget (see slide deck presentation)
2. Resolution No. 2023-20
  - a. Exhibit A: Board Memorandum
  - b. Exhibit B: Revised Rate Sheet



**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE TUCSON AIRPORT AUTHORITY, INC., APPROVING AN AMENDMENT TO THE FY 2024 OPERATING BUDGET IN THE AMOUNT OF APPROXIMATELY \$1,101,501, TO IMPLEMENT SECURITY MEASURES TO COMPLY WITH THE TRANSPORTATION SECURITY ADMINISTRATION (TSA) NATIONAL EMERGENCY AMENDMENT AND NOTICE OF INFORMED COMPLIANCE DATED SEPTEMBER 6, 2023.**

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**WHEREAS** Tucson International Airport (“TUS”) is a commercial service airport that is statutorily required to comply with federal safety regulations mandated by the Transportation Security Administration (“TSA”) to maintain its certification with the Federal Aviation Administration (FAA); and

**WHEREAS** in its National Emergency Amendment and Notice of Informed Compliance dated September 26, 2023, the TSA mandated that airport operators provide and pay for an independent security checkpoint to randomly screen airport employees beginning September 25, 2023; and

**WHEREAS** it is necessary to amend the FY 2024 operating budget to hire additional personnel and to purchase the equipment to implement the new safety requirements; and

**WHEREAS** TAA met with the Airport and Airline Affairs Committee (AAAC) on September 25, 2023, to discuss the budget amendment and the associated landing fee increase, and the AAAC acknowledged that the budget amendment is necessary due to the TSA mandate; and

**WHEREAS** TAA management presented the budget amendment to the Finance and Risk Management Council on October 9, 2023, and the Council voted unanimously (4-0) to recommend to the Board of Directors that it adopt the budget amendment.

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

1. The FY 2024 Operating Budget Amendment of approximately \$1,101,501, together with the revised landing fee of \$2.02, as are detailed in the accompanying Board Memorandum, attached hereto as Exhibit A, incorporated herein by reference and made a part hereof, are approved.
2. The President/CEO (or her designee[s]) is authorized to take whatever actions may be necessary to implement the revised General Rates and Charges, effective November 1, 2023, attached hereto as Exhibit B, incorporated herein by reference and made a part hereof, and to take whatever actions may be necessary to comply with the Transportation

Security Administration's National Emergency Amendment and Notice of Informed Compliance dated September 26, 2023.

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

\_\_\_\_\_  
Keri Silvyn, Chair of the Board

ATTEST:

APPROVED AS TO FORM:

\_\_\_\_\_  
Phil Swaim, Secretary

\_\_\_\_\_  
Christopher Schmaltz, Vice President  
and General Counsel

EXHIBIT A

**BOARD MEMORANDUM**

FY24 Operating Budget Amendment

**Date:** November 1, 2023

**To:** Board of Directors  
**From:** Bruce Goetz, Executive Vice President/Chief Operating Officer  
Kim Allison, Vice President/Chief Financial Officer  
**Re:** FY24 Operating Budget Amendment

**Background:**

The Transportation Security Administration (TSA) is tasked with managing the nation’s civil aviation security (security screening at checkpoints to ensure commercial air service is as safe as possible from threats and terrorism). Airports are tasked with airport security including performing background checks utilizing the national criminal records clearinghouse, managing access control to secure and sterile areas through effective technologies, and performing other TSA-required Sensitive Security Information protocols to meet federal standards (Police, Explosive Detection Canine Teams, etc.). All commercial service airports serving air carriers with more than 30 seats are required to meet the TSA federal requirements (or face certification consequences). Additionally, Airlines also have TSA required security programs to ensure the protection of their assets and to protect civil aviation. Between the three-pronged approach (TSA, Airports and Airlines), U.S. aviation security is the strongest it has ever been.

The TSA mandate requires airport operators to set up and pay for an independent security checkpoint to screen airport employees. Over the last decade, the TSA has frequently attempted to shift responsibility and costs onto airports. In the past, airports as a collective have been successful in pushing back on these attempts. However, the TSA has found a new avenue to force change through a “National Amendment” / “Notice of Informed Compliance.” This avenue bypasses the Notice of Proposed Rule Making (NPRM) process, which allows for adequate notice and a public comment period before a final regulation or rule is enacted. While the TAA opposes the TSA’s approach, Airport Operators are required to comply with the “Notice of Informed Compliance,” dated September 6, 2023, and effective September 25, 2023.

**Strategic Plan | Analysis:**

It is a basic premise that the TAA will operate the airport system in compliance with federal regulations. This proposed action supports the Strategic Plan and the mission of the TAA to “provide a sustainable airport system and constantly pursue initiatives that promote and grow business opportunities.” In this regard and relating to the TSA mandate, the focus is on having a “sustainable airport system.”

**Cost Analysis:**

To meet this unfunded mandate by the September 25, 2024 TSA deadline, it is necessary to amend the FY24 budget to hire additional personnel and acquire the necessary equipment required to perform these additional screenings. This was not included in the original FY24

budget at the time it was approved due to the uncertainty of this mandate and the potential that it would be reversed or rescinded. Police Officers and Public Service Officers are in high demand and require comprehensive background checks, which can take months. Furthermore, once hired these positions require extensive familiarization training to ensure they are capable to operate independently in the airport environment, which also takes months. Beginning the hiring and training process now will position the TAA to meet the September 25, 2024 TSA deadline.

Budget Category	Description	Cost
Personnel	6 Police Officers	\$844,457
	2 Public Service Officers	
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Capital Outlay	Vehicles (2)	\$150,000
<b>Total Budget Amendment</b>		<b>\$1,101,501</b>

The budget amendment of \$1,101,501 increases the TAA FY24 Operating Budget from \$43,607,659 to \$44,709,160 and will affect the FY24 Landing Fee of \$1.50 per 1,000 lbs. maximum gross weight by \$0.52, raising the total Landing Fee to \$2.02 per 1,000 lbs. maximum gross weight.

The TAA met with the Airport and Airline Affairs Committee (AAAC), corporate Airline representatives, on September 25, 2023 to discuss the “National Amendment” / “Notice of Informed Compliance,” and advised them of the Landing Fee rate change to support the FY24 Budget Amendment. The AAAC understands the TSA mandate requirements and acknowledges the FY24 Budget Amendment is necessary.

TAA management presented this information to the Finance and Risk Management Council on October 9, 2023. The vote was unanimous to recommend the Board of Directors adopt the FY24 Budget Amendment in the amount of \$1,101,501, raising the FY24 Operating Budget to \$44,709,160.

**Recommendation:**

Adopt Resolution No. 2023-20 approving an amendment to the FY 2024 Operating Budget in the amount of approximately \$1,101,501, to implement security measures to comply with the Transportation Security Administration (TSA) National Emergency Amendment and Notice of Informed Compliance dated September 6, 2023.

**Attachments:**

1. Revised FY24 Operating Budget (see slide deck presentation)
2. Resolution No. 2023-20
  - a. Exhibit A: Board Memorandum
  - b. Exhibit B: Revised Rate Sheet

EXHIBIT

EXHIBIT B

**TUCSON INTERNATIONAL AIRPORT  
GENERAL RATES & CHARGES**

Rates effective November 1, 2023

**Tucson International Airport  
General Rates & Charges  
Rates Effective November 1, 2023**

\*\*\*Amended

**FY 2024 Rates Effective November 1, 2023**

Space/Charge Type	Original Budget Approved Signatory Rates Effective 10/01/2023	Amended Rates Effective 11/01/2023 Signatory	Amended Rates Effective 11/01/2023 Non- Signatory	Fee Basis
Landing fee	\$1.50	\$2.02	\$2.53	per 1,000 lbs
Ticket counter, kiosk, phone bank	\$92.01	\$92.01	\$115.01	per sq/ft per year
Airline ticket office (ATO)	\$92.01	\$92.01	\$115.01	per sq/ft per year
Baggage makeup	\$30.66	\$30.66	\$38.33	per sq/ft per year
Baggage storage	\$92.01	\$92.01	\$115.01	per sq/ft per year
Operations area	\$78.18	\$78.18	\$97.73	per sq/ft per year
Baggage claim	\$87.26	\$87.26	NA	per sq/ft per year
TSA EDS Bag Screening Pods/1	\$55.22	\$55.22	NA	per sq/ft per year
Holdroom per gate/2	\$134,167.77	\$134,167.77	\$167,709.71	per gate per year
Custodial - exclusive space	\$32.13	\$29.89	\$29.89	per hour
Custodial - exclusive space with supplies	\$34.70	\$32.28	\$32.28	per hour
TAA-owned jet bridge at leased gate/2	\$4,078.95	\$4,316.76	\$5,395.95	per bridge per month
Aircraft parking position at leased gate/2	\$9,625.68	\$9,625.68	\$12,032.10	per position per year
Ramp scrubber at leased gate/2	\$2,703.41	\$2,514.52	\$3,143.15	per position per year
Terminal Operations Charge/3	NA	NA	\$1.80	per enplaned passenger
Non-leased ticket counter use fee	NA	NA	\$20.65	per turn per position
Non-leased bag makeup belt use fee	NA	NA	\$77.64	per turn
FIS facility fee - international flights	\$1.00	\$1.00	\$1.00	per deplaned passenger
Aircraft parking fees (in non-leased area):				
Remote apron RON	\$80.21	\$80.21	\$100.26	per day, max 10 days/month
Terminal apron at common use gate/4	\$80.21	\$80.21	\$100.26	per day, no monthly maximum
Non-leased A & B Gate use fees:				
Apron and support systems	\$12.95	\$14.08	\$17.60	per turn
Bridge only	\$51.41	\$54.40	\$68.00	per turn
Apron, bridge and support systems	\$64.35	\$68.48	\$85.60	per turn
Holdroom and apron	\$151.02	\$151.02	\$188.77	per turn
Holdroom, apron, support systems	\$153.86	\$154.98	\$193.73	per turn
Holdroom, apron, support systems, bridge	\$205.26	\$209.39	\$261.73	per turn
C Gate use fee/5:				
Narrowbody aircraft	\$340.59	\$340.59	\$340.59	per turn
Regional jet	\$136.24	\$136.24	\$136.24	per turn
Prorata security/6	\$180,500.42	\$180,500.42	\$180,500.42	per month
Main bag claim common use - Signatory Airlines/7	\$335,841.93	\$335,841.93	NA	per month
Main bag claim common use - Non-Signatory	NA	NA	2.61	per enplaned passenger
Triturator	\$6.59	\$6.13	\$6.13	per key turn
Wash rack	\$3.95	\$3.67	\$3.67	per key turn

- 1 - 8,016 square feet - this charge is included in the prorata security fee
- 2 - For airlines qualifying as low volume carriers and electing to lease one-half of a gate, this rate is reduced by half.
- 3 - Applies only to non-signatory airlines using the main terminal (A and B gates)
- 4 - Fee applies if parked at common use gate more than three hours after flight arrival.
- 5 - C Gate use fee includes all use of buildings and apron.
- 6 - Total monthly charge is prorated based upon each airline's percentage of enplaned passengers for the month  
Applies to all signatory and non-signatory airlines using A, B and C gates
- 7 - 46,185 square feet. Allocated to signatory airlines on a 90/10 common use formula
- 8 - Calculated based on average signatory airline cost per enplanement using budgeted signatory enplanements, plus 25% non-signatory premium.
- 9 - Qualifying non-signatory cargo airlines pay the signatory landing fee rate

Non-Signatory Premium

**125%** of signatory rates



**Date:** November 1, 2023

**To:** TAA Board of Directors  
**From:** John Voorhees, Vice President/Chief Revenue Officer  
**Re:** Rental Car Concessions Contracts – Company Selections

**Background:**

The current TUS Airport Rental Car contracts are on a month-to-month term and will expire on January 31, 2024. TAA’s Procurement Department, in collaboration with other TAA Departments, conducted an Invitation for Bid (IFB) process to solicit bids for the new rental car concession opportunities. Following the Selection Committee’s review and evaluation of the IFB bid packages, the successful bidders were identified by the Selection Committee for the award of the rental car contracts to provide services for Rental Car Concessions at Tucson International Airport.

**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). The Rental Car concession is a major source of revenue for the airport. Continuing this business relationship is key to the financial success of the airport system.

**Cost Analysis:**

The IFB was published on Thursday April 27, 2023, and Thursday May 4, 2023. A total of eight (8) bids were received, and the following seven (7) firms were identified as the successful bidders to fill the seven (7) rental car concession opportunities: Enterprise Leasing Company (DBA Enterprise Car Rental), Enterprise Leasing Company (DBA National Car Rental), The Hertz Corporation, DTG Operations (DBA Dollar), Avis Rent a Car, Budget Rent a Car, and SIXT Rent a Car. Below are the proposed terms of the agreement as well as the selection committee members:

- **Term of Agreement:** 5 Years
- **Minimum Annual Guarantees (MAG) for the Term:**

Enterprise Leasing Company (DBA Enterprise Car Rental)	: \$ 8,894,558
Enterprise Leasing Company (DBA National Car Rental)	: \$ 4,869,645
The Hertz Corporation	: \$ 6,775,537
DTG Operations (DBA Dollar)	: \$ 4,901,625
Avis Rent a Car	: \$ 7,404,837
Budget Rent a Car	: \$ 8,492,984
SIXT Rent a Car	: \$ 5,250,155
<b><u>Total MAG For the Term of Agreement</u></b>	<b><u>: \$46,589,341</u></b>

- **Selection Committee Members:**
  - Vice President/CRO (Executive Sponsor)
  - Vice President/CFO
  - Director of Properties & Concessions
  - Manager of Concessions & Ground Transportation
  - Manager of Planning
  - Compliance Audit Administrator/DBELO

**Recommendation:**

Adopt Resolution No. 2023-21 authorizing the President/CEO (or her designee[s]) to execute rental car concession contracts with rental car concessionaires, subject to key business terms.

**Attachments:**

Resolution No. 2023-21

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE TUCSON AIRPORT AUTHORITY, INC., AUTHORIZING THE PRESIDENT/CEO (OR HER DESIGNEE[S]) TO EXECUTE RENTAL CAR CONCESSION CONTRACTS WITH RENTAL CAR CONCESSIONAIRES, 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 new five-year concessions contracts with the vendors listed below to provide rental car services at Tucson International Airport, subject to key business terms as provided in the Board Memorandum, attached hereto as Exhibit A, incorporated herein by reference and made a part hereof.

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

\_\_\_\_\_  
Keri Silvyn, Chair of the Board

ATTEST:

APPROVED AS TO FORM:

\_\_\_\_\_  
Phil Swaim, Secretary

\_\_\_\_\_  
Christopher Schmaltz, Vice President  
and General Counsel

EXHIBIT A

**BOARD MEMORANDUM**

Rental Car Concessions Contracts – Company Selections

**Date:** November 1, 2023

**To:** TAA Board of Directors  
**From:** John Voorhees, Vice President/Chief Revenue Officer  
**Re:** Rental Car Concessions Contracts – Company Selections

**Background:**

The current TUS Airport Rental Car contracts are on a month-to-month term and will expire on January 31, 2024. TAA’s Procurement Department, in collaboration with other TAA Departments, conducted an Invitation for Bid (IFB) process to solicit bids for the new rental car concession opportunities. Following the Selection Committee’s review and evaluation of the IFB bid packages, the successful bidders were identified by the Selection Committee for the award of the rental car contracts to provide services for Rental Car Concessions at Tucson International Airport.

**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). The Rental Car concession is a major source of revenue for the airport. Continuing this business relationship is key to the financial success of the airport system.

**Cost Analysis:**

The IFB was published on Thursday April 27, 2023, and Thursday May 4, 2023. A total of eight (8) bids were received, and the following seven (7) firms were identified as the successful bidders to fill the seven (7) rental car concession opportunities: Enterprise Leasing Company (DBA Enterprise Car Rental), Enterprise Leasing Company (DBA National Car Rental), The Hertz Corporation, DTG Operations (DBA Dollar), Avis Rent a Car, Budget Rent a Car, and SIXT Rent a Car. Below are the proposed terms of the agreement as well as the selection committee members:

- **Term of Agreement:** 5 Years
- **Minimum Annual Guarantees (MAG) for the Term:**

Enterprise Leasing Company (DBA Enterprise Car Rental)	: \$ 8,894,558
Enterprise Leasing Company (DBA National Car Rental)	: \$ 4,869,645
The Hertz Corporation	: \$ 6,775,537
DTG Operations (DBA Dollar)	: \$ 4,901,625
Avis Rent a Car	: \$ 7,404,837
Budget Rent a Car	: \$ 8,492,984
SIXT Rent a Car	: \$ 5,250,155
<b>Total MAG For the Term of Agreement</b>	<b>: \$46,589,341</b>

- **Selection Committee Members:**
  - Vice President/CRO (Executive Sponsor)
  - Vice President/CFO
  - Director of Properties & Concessions
  - Manager of Concessions & Ground Transportation
  - Manager of Planning
  - Compliance Audit Administrator/DBELO

**Recommendation:**

Adopt Resolution No. 2023-21 authorizing the President/CEO (or her designee[s]) to execute rental car concession contracts with rental car concessionaires, subject to key business terms.

**Attachments:**

Resolution No. 2023-21

EXHIBIT

**Date:** November 1, 2023

**To:** Board of Directors  
**From:** John Voorhees, Vice President/Chief Revenue Officer  
**Re:** FedEx Corporation Ground Lease Extension Terms

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**Background:**

Tucson Airport Authority (“TAA”) and FedEx Corporation (“FEDEX”) have negotiated business terms for the extension of their ground lease at Tucson International Airport (“TUS”). FEDEX has been a tenant of the TAA on a ground lease for thirty years. The company desires to extend its tenure at the airport and has agreed to certain terms which will provide increased revenue and additional facilities for the airport. In exchange, TAA will provide a new 15-year ground lease for the FEDEX property.

In January 2023 the TAA CEO, and Properties Department staff (“Properties”) met with the Airport Property Administrator for FEDEX. He expressed the desire to extend the company’s ground lease at TUS. FEDEX had received a building condition report and desired to use recommended repair items in the report as a capital expense to justify the extended lease. Properties informed the FEDEX representative that a larger capital outlay would likely be required, but an appraisal of the facility would be conducted before the negotiation of terms began.

Once the appraisal was received Properties scheduled a meeting with FEDEX to discuss terms. In TAA’s proposal three items needed to be addressed. First, FEDEX had positioned ground service equipment (GSE) well beyond their leasehold on the air cargo ramp. The GSE had occupied two additional aircraft parking locations without paying for them for many years. FEDEX would be required to remove this GSE as a term of the new lease. Second, equipment stored along the roadside on the west of the FEDEX leasehold would need to be removed as it blocked traffic along the road. Third, FEDEX would need to invest a more significant capital outlay to justify the new ground lease. Properties proposed FEDEX construct a 1-acre minimum GSE staging area and parking lot to resolve the items of concern.

FEDEX has agreed to construct the GSE staging area and parking lot by December 2026. In the interim, FEDEX will consolidate the company’s GSE into a single aircraft parking location on the air cargo ramp and pay market rate for the same. FEDEX will also replace the roof of the existing facility before January 1, 2034. The roof has recently been serviced with an expected life of 10 years. These two actions will add value to the FEDEX leasehold and provide necessary end-of-term maintenance for the building.

**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). FEDEX is a long-term tenant in good standing with the TAA. Continuing this business relationship is vital for the efficient flow of goods and services to the community and provides a consistent revenue source for the airport system.

**Cost Analysis:**

TAA proposes a fifteen (15) year lease term (“Initial Term”) which would commence on January 1, 2024 and expire December 31, 2039. In exchange for this lease, FEDEX will construct the GSE staging area and replace the roof of the existing building. The minimum required capital expense is \$1,150,000.

The appraised ground lease rate for the property is \$.48 per square foot per year with a biennial CPI rate adjustment. The annual rent revenue on the existing property will be \$31,008. In 2025, FEDEX will commence rent payments on the additional 1-acre parcel (the GSE staging area and parking lot). The additional annual rent will be \$20,908. The total annual rent revenue will thus become \$51,917. This is an increase of \$36,413 per year from the current lease agreement.

Over the life of the term of the proposed lease, rent revenue will be \$757,843.20 (not including CPI adjustments). Other than the administrative fees associated with FAA National Environmental Policy Act (NEPA) requirements, there will be no cost to the TAA.

**Recommendation:**

Adopt Resolution No. 2023-22 authorizing the President/CEO (or her designee[s]) to execute a new ground lease with the FedEx Corporation, subject to the attached key business terms.

**Attachments:**

1. Appendix: Key Business Terms
2. Resolution No. 2023-22



**APPENDIX: BUSINESS TERMS**

**Key Business Terms – Lease Options (TAA counter proposal)**

- Date:** August 4, 2023 (terms expire August 8, 2023)
- Facility Landlord:** Tucson Airport Authority, Inc. (TAA)
- Tenant:** FedEx Corporation
- Premises:** Total land area of +/-108,160 SF which consists of:
- An 18,397 SF facility on approximately 1.48 acres of land (64,600 SF). See depiction in Exhibit A marked as Main Leasehold.
  - An additional ground lease premises: A minimum of 43,560 SF of GSE Staging Area and Parking Lot. See depiction in Exhibit B marked as Proposed GSE Staging Area and Parking Lot.
- Lease Term:** 15-Year Ground Lease
- Commencement Date:** January 1, 2024
- Base Rent:** Ground lease at \$.48/SF/YR for a total annual rent amount of \$51,916.80. See below for further details on rent commencement dates:
- Current premises/Main Leasehold: \$31,008/YR (\$2,584/mo.) which shall be paid monthly in advance starting on Commencement Date above.
  - Additional premises/GSE Staging/Parking Lot: \$20,908.80/YR (\$1,742.40/mo.) which shall be paid monthly in advance effective on January 1, 2025.
- Rate Adjustments:** Rent will be adjusted every two years according to the Consumer Price Index (CPI). The rate will never be adjusted down.
- Preconditions:** Tenant must consolidate all property to leasehold as a condition of any lease extension.
- Tenant must clear all property from the roadway to the east of the cargo apron by October 1, 2023. (See items in red on Exhibit A)
  - Tenant must clear all property from the apron parking space to the north and south of the two leased parking spaces by October 1, 2023.
- Tenant shall be required to spend a minimum of \$1,150,000 CAPEX to:
- Construct a GSE Staging Area/Parking Lot. Project must be complete before December 31, 2026.
  - Tenant to replace facility roof before January 1, 2034.
- Maintenance Responsibilities:** Tenant is responsible for all maintenance, repair, and improvements at the Premises at no cost to TAA.
- Site Development:** Tenant Responsibilities:
- At no cost to TAA, Tenant shall develop an additional 1 acre of land (minimum) to be used for Ground Support Equipment (GSE) storage and ground vehicle parking. Project must be complete by December 31, 2026.

- At no cost to TAA, Tenant shall complete roof replacement on FEDEX Facility by January 1, 2034.
- Coordinate all permitting with the City of Tucson.

TAA Responsibilities:

- Responsible for all NEPA related coordination with the FAA, as needed.

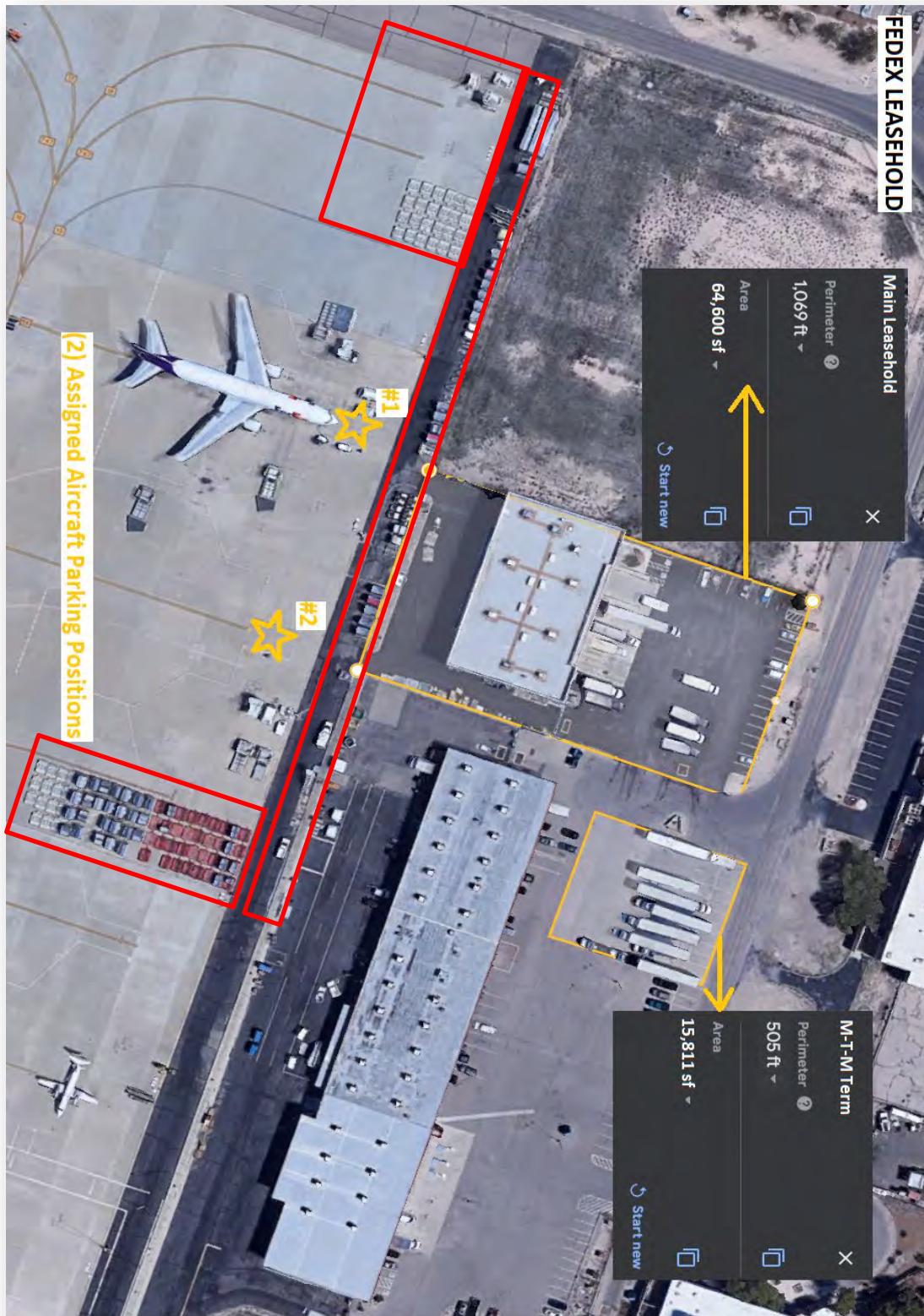
**TAA Approval of Terms:**

Lease terms are subject to approval of TAA's Board of Directors. The next meeting is November 1, 2023.

**Attachments:**

- Exhibit A: Site Layout
- Exhibit B: Proposed GSE Staging Area/Parking Lot

EXHIBIT A: Site Layout





**EXHIBIT B: Proposed GSE Staging Area/Parking Lot**



**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 THE FEDEX CORPORATION, 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 15-year ground lease with FedEx Corporation, subject to key business terms, on the TAA-owned property described in the attached Board Memorandum (Exhibit A), which is incorporated herein by reference and made a part hereof.

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

\_\_\_\_\_  
Keri Silvyn, Chair of the Board

ATTEST:

APPROVED AS TO FORM:

\_\_\_\_\_  
Phil Swaim, Secretary

\_\_\_\_\_  
Christopher Schmaltz, Vice President  
and General Counsel

EXHIBIT A

**BOARD MEMORANDUM**

FedEx Corporation Ground Lease Extension Terms

**Date:** November 1, 2023

**To:** Board of Directors  
**From:** John Voorhees Vice President/Chief Revenue Officer  
**Re:** Business and Commercial Development Division Update

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The Business and Commercial Development Division (BCD) has been actively pursuing all available options to increase the bottom line of the airport system and support our strategic initiative to Expand Prosperity. This effort has been focused in three primary avenues of approach:

1. Revenue recovery
2. Traditional revenue generation
3. New revenue source generation

In collaboration with the Finance Division, BCD has sought to recover revenue that is owed the airport from tenants and vendors who have not paid. In late 2021, the Board was briefed on the number of delinquent accounts and their fiscal impact. Finance and BCD have renewed efforts to aggressively track and pursue tenants who are not current in their rent payments. Staff have created new “dunning letters” and are working with Civix (provider of the airport’s revenue management system) to automate our processes for default notification and debt collection. Since the last update (Dec 2021), staff have reduced the dollar amount of long-term (120 day+) delinquency from \$858,159.84 to \$482,717.05 (44% reduction). For more complex delinquencies TAA will, on occasion, draw on a delinquent tenant’s Letter of Credit, surety bond or other similar contract securities.

As a recent instance, BCD has successfully worked with our own Legal Department to pursue a default account and recovered approximately \$64,000. These efforts will continue, and staff will leverage assistance from outside counsel as needed to collect on the remainder of the delinquent accounts to further lower the outstanding balance.

BCD staff have also looked for opportunities to leverage existing services and facilities to increase our traditional revenue sources. With limited staff capacity, the Properties Department has partnered with Cushman/Wakefield Picor (Picor) to broker the vacant TAA facilities and land that are deemed ready for market. Picor has taken the lead to advertise TAA’s newly constructed hangar as well as other properties and small land lots adjacent the airfield. TAA and Picor have sent draft terms to a prospective tenant for the new hangar and have shown other properties within a few days of executing the brokerage agreement. Picor’s TAA portfolio includes three facilities that could yield nearly \$1.1M annually if successfully marketed. BCD staff are also

negotiating terms for three other properties (including the FEDEX building on this month's agenda) which would provide over \$230,000 in additional annual revenue.

TAA's Concessions Team have sought new ways to bolster existing revenue streams as well. TAA signed an agreement with Delaware North (TAA's food and beverage vendor) to permit street pricing plus 10% for our terminal restaurants. This, plus a robust refurbishment plan which will increase seating at our most successful restaurants, will garner an anticipated revenue increase near \$160,000 annually. Last November, TAA staff raised the rates in our parking lots and parking garage by modest amounts. To date, TAA has realized an annual revenue increase of over \$2M (or nearly 30%). Increased passenger traffic is responsible for a portion of the revenue increase. But the increase is a great addition to the airport system, nonetheless. This year TAA signed a contract with Turo, a peer-to peer car rental agency. The company is projected to provide \$120,000 of new annual revenue to TAA. Finally, the new RAC contracts being considered in today's Board meeting are expected to increase annual revenue by \$800,000.

The BCD staff have continued to develop new sources of revenue to broaden the revenue base as well. The division's work to develop land has yielded some positive results. In Sonora South, TAA has begun negotiations with a solar array developer to create a 100MW array on 1,300 acres of land. Sonora South cleared the FAA's process for this purpose and work can begin once a lease is executed. Expect to receive terms for this agreement in the December board meeting.

On MRO 50, SkyWest Airlines has begun the initial work on their construction project. The new building will occupy about 14-acres of TAA land and yield \$213,000 of annual lease revenue. Towards the east end of that lot, the board approved terms for Ascent Aviation to construct a permanent engine test facility. The plan was to develop a 2-acre parcel yielding about \$30,000 of annual rent revenue. Upon further consideration the company is redrawing plans to expand the test center, which may increase its footprint nearly 5-fold – revenue would naturally follow suit.

The Sonora North environmental assessment continues. The 600-acre parcel combines both aeronautical and non-aeronautical land. On the non-aeronautical side, BCD has engaged Schnitzer Properties to develop the 96-acre lot north of Los Reales Road. This is a crucial area as it may feature an alternate entrance to the airport from the east. Schnitzer is aware of the strategic significance of the location and is evaluating plans for a more beautified path to TUS.

Finally, BCD has reached out to local developer Bourn Companies. Staff is assessing the company's interest to form a strategic partnership to develop a portion of Sonora East (the land that borders Alvernon Way). The land is not ready to develop and would require staff to complete a National Environmental Policy Act (NEPA) analysis before development could begin.

But, having a business partner to provide development concept details would provide the necessary motivation and expertise to keep the project moving forward. Staff met with Mr. Bourn and his staff and are working towards a project scope and terms for the business relationship.

The development market is starting to slow and prospects for speculative growth are shrinking. However, TAA will take a conservative approach toward land development and continue to seek opportunities to book new revenue wherever possible.



September 29, 2023

Mr. Michael Montgomery  
Director, Superfund Division  
U.S. EPA Region 9  
75 Hawthorne Street  
San Francisco, CA 94105

Karen Peters  
Director  
AZ Department of Environmental Quality  
1110 W. Washington St  
Phoenix, AZ 85007

Subject: Memorandum dated June 30, 2023, from U.S. Environmental Protection Agency (EPA), and Arizona Department of Environmental Quality (ADEQ) re “Per- and Polyfluoroalkyl Substances (PFAS) contamination of Tucson Drinking Water Aquifer and PFAS Impacts on the Tucson Area Remediation Project at the Tucson International Airport Area Superfund Site”

Dear Mr. Montgomery and Ms. Peters:

This letter is a continuation of Tucson Airport Authority’s (TAA) dialogue with Environmental Protection Agency Region 9 (EPA) and Arizona Department of Environmental Quality (ADEQ) pursuant to your June 30, 2023, memorandum regarding per-and polyfluoroalkyl substances (PFAS) contamination of groundwater and impacts to the Tucson Area Remediation Project (TARP). This letter provides some of the pertinent history and a plan as requested by EPA and ADEQ.

EPA and ADEQ have requested TAA (and others) to voluntarily investigate PFAS contamination in groundwater while the regulatory process is underway but not finalized. TAA has been one of the key partners behind the establishment of the TARP plant, which was initially devoted to remediation of trichloroethylene (TCE) and other volatile organic compounds (VOCs). TAA has paid a share of the design and construction costs of the initial packed column aeration facility at TARP and has paid the City of Tucson (COT) operation and maintenance costs for the TCE remedy after the EPA and City modified the TCE remedy from the packed column aeration facility to the Advanced Oxidation Process (AOP) facility at the TARP plant.

TAA is, and will continue to be, engaged in good faith with the City and USAF to address the additional TARP costs due to PFAS.

PFAS is the most recently discovered contaminant of concern in the Tucson groundwater. The City of Tucson has modified the pumping, treatment, and distribution strategies of water to and from TARP to cease PFAS being served to the public from TARP. The City of Tucson has instituted an aggressive groundwater testing program, using its own laboratory (to speed up results) and reports that water discharged from the TARP plant contains no detectable (less than 2.0 parts per trillion) PFOA/PFOS compounds. ADEQ has also

monitored PFAS down gradient of Davis-Monthan Air Force Base (D-M AFB) and has established a pilot remediation project to develop future remediation technologies tailored to the unique conditions found in this part of Arizona. In addition to the state (ADEQ) and local (City of Tucson) authorities' actions to protect the health of citizens, United States Air Force (USAF) (for both Air Force Plant 44 and D-M AFB) and Arizona Air National Guard (at Morris Air National Guard Base) are conducting remedial investigations and have located private wells off site and offered alternative water supplies to those persons.

PFAS at airports is a nationwide issue, caused by the use of aqueous film forming foam (AFFF) containing PFAS, which is required by the federal government for use at commercially certified airports. It is these federally required releases (both for training and emergencies) that is the possible source associated with airport operators. The federal government is the ultimate responsible party for PFAS releases by airport operators.

TAA presents the following plan to address PFAS releases at its property. Based on correspondence and meetings with regulators, we have organized our plan around the topics of addressing increased PFAS costs at TARP (*see Section I, infra*); impacts to the aquifer, including PFAS sampling activities by TAA (*see Section II, infra*); and 1,4 Dioxane costs (*see Section III, infra*).

## **I. Addressing Increased PFAS costs at TARP**

### **A. Review of Documentation**

- TAA, USAF, and ADEQ held a meeting on August 9, 2023 to discuss the PFAS-related costs for which COT is seeking reimbursement.
- On August 16, 2023, TAA received documentation from COT regarding its claimed PFAS costs.
- The documentation is voluminous. TAA has been diligently working to complete its review of the documentation and has been coordinating with the AF to help expedite the document review.
- Among other things, TAA needs to determine whether the costs were actually incurred by COT; whether those costs are allocable to PFAS rather than TCE or 1,4 Dioxane; and whether those costs already have been reimbursed, or will be reimbursed, by another source.
- TAA is gathering information and will continue to share detailed information with USAF regarding the amount TAA has paid for the operations and maintenance of the TARP plant. That information will help to expedite the USAF's review of the documentation that COT has provided.

### **B. Agreement in Principle**

- TAA commits to contributing funds to directly address the increases in the operation and maintenance costs of the TARP plant incurred by COT associated with PFAS. In



addition, TAA is willing to discuss contributing to the unreimbursed capital costs incurred or to be incurred by COT to deal with PFAS more efficiently and effectively in the water treated by the TARP plant. We look forward to discussions with the regulators and all responsible parties to resolve the PFAS cost issues. TAA believes this meeting should occur before the end of October, and in the absence of any other party taking the lead, will coordinate the meeting.

## **II. Impacts to Tucson Drinking Water Aquifer / Tucson Airport Authority and PFAS Sampling**

### **A. Cessation of AFFF Use**

- The most effective approach for ensuring that other drinking water will not be impacted by PFAS associated with the Tucson International Airport is cutting PFAS off at the source within our control. To that end, TAA has taken steps to transition from AFFF to fluorine free foam (F3), once governing federal authorities allow TAA to do so. TAA has already ceased any certification-related discharges of AFFF.
- TAA anticipates that the FAA will update its Part 139 regulations in the coming months to authorize the use of F3 rather than AFFF. TAA commits to switching to F3 as soon as it is legally able to do so and as supplies of F3 are available. As part of that switch, TAA will thoroughly clean all equipment that historically used AFFF to address any AFFF residue in our equipment.
- TAA will continue to view any discharge of F3 as containing PFAS and will address the discharge consistent with TAA's PFAS plan.

### **B. TAA's Preliminary Assessment (PA)**

- The PA is a necessary first step for determining which locations within the property operated by TAA are candidates for testing that will provide sufficient quality data regarding PFAS potential releases.
- TAA stated in its August 31, 2023, status report that it will circulate the PA report in draft form on or before September 30, 2023. While the PA is still ongoing, TAA is enclosing with this plan a draft PA report for EPA's and ADEQ's review and comment. TAA welcomes any feedback that the agencies have on this draft PA report.
- After TAA finalizes its PA, TAA will analyze the results of that PA and use those results to select locations for sampling and analysis.
  - TAA's sampling and analysis will be targeted towards locations identified in the PA as sites of historic AFFF usage, as well as down-gradient locations that could potentially have been impacted, including private wells.

- TAA plans to conduct sampling and analysis across multiple media, including soil in addition to groundwater. TAA intends to fully characterize the extent and concentration of AFFF associated with property operated by TAA.
- Prior to completing sampling and analysis in response to the findings in the PA, TAA intends to prepare a Sampling and Analysis Plan (SAP) and a Quality Assurance Project Plan (QAPP).
  - The SAP will describe the locations from which samples will be taken, the type of sample that will be taken, and the type of laboratory analysis that will be used to evaluate the samples.
  - The QAPP will describe, among other things, the data quality objectives and measures that will be employed for the sampling and analysis to ensure that the sampling and analysis results in data that is adequate for evaluating PFAS impacts at the property leased by TAA.
- TAA commits to submitting a draft SAP and QAPP for EPA's review and comment by November 30, 2023. TAA will work as expeditiously as possible to address any comments on the SAP and QAPP that it receives from the agencies.
- After the SAP and QAPP have been reviewed and approved, TAA commits to beginning sampling activities at locations identified through the PA process within 60 days.
  - TAA will share the results of the sampling and analysis with the agencies.
  - Sampling and analysis will continue until TAA has fully characterized the extent and concentration of PFAS substances beneath the property that TAA operates.

#### C. Conducting Additional Sampling

- During its August 24<sup>th</sup> meeting with the EPA, TAA and EPA agreed to meet on-site at TAA in October 2023 to discuss the details and logistics of TAA's sampling of wells currently being overseen by ADEQ. Because that meeting has not yet occurred, it is premature for TAA to provide details on the scope of the sampling. It is TAA's expectation that the sampling will include the following parameters:
  - Sampling and analysis by TAA will begin during the sampling period after February 2024, which is the last sampling period covered under the existing agreement between ADEQ and Hargis. Sampling and analysis will occur on a semi-annual basis.
  - Sampling and analysis will be in accordance with EPA Draft Method 1633 and in accordance with an SAP and QAPP that satisfy the requirements set forth in 40 C.F.R. § 300.420(c)(4). As explained above, the SAP and QAPP will also

include additional testing to be performed by TAA in response to the findings in its PA.

D. Additional Monitoring of Drinking Water Wells

- During the PFAS coordination meeting held on August 10, 2023, EPA stated that PFAS contamination has been detected on wells within the Tohono O’odham Nation in the vicinity of airport property.
- TAA requested those testing results from EPA but has not yet received them. Once it receives the results, TAA commits to evaluating the data and determining whether additional testing in the area is necessary to characterize the extent of PFAS impacts.
- During the PFAS coordination meeting held on September 7, 2023, TAA learned for the first time that ADEQ was in possession of data indicating that there had been PFAS impacts for certain wells in the vicinity of the Airport.
- Matt Narter at ADEQ subsequently shared that data with TAA. Upon review of the data, it appears that the majority of the affected wells are north of the airport in an area that is down-gradient from the Morris Air National Guard Base. Two of the wells (PW-020 and PW-011) are located west of the Airport rather than down-gradient from Morris Air National Guard Base.
- If the property owners are willing to authorize access, TAA is willing to perform PFAS sampling for those two wells. Additional sampling is necessary to determine whether any actionable PFAS impacts are present because ADEQ’s testing results are several years old and the detection levels are well below 70 parts for trillion (and barely over the proposed maximum contaminant level (MCL) of 4 parts per trillion that would apply to public water systems if adopted).
- TAA also is willing to evaluate the possibility of a site-specific response action to address the contamination. If a PFAS impacted well in the vicinity of the airport is being used for drinking water, TAA will immediately facilitate provision of drinking water.

E. Potential Fate and Transport Analysis

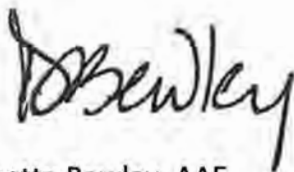
- Driven by the results of the testing that TAA has agreed to perform, TAA will determine the extent necessary to perform a fate and transport analysis to assess the likely future migration patterns of any PFAS that has been detected in groundwater beneath the property that TAA operates. TAA is willing to explore partnering with USAF to jointly conduct the necessary fate and transport analysis to produce a sitewide assessment.



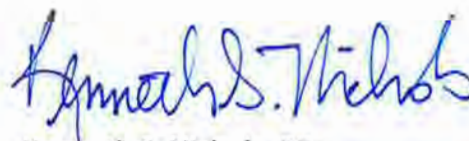
**III. 1,4-Dioxane Costs**

- EPA has indicated that its goal is for the parties to reach an agreement to amend the TARP Consent Decree (CD) to account for 1,4-Dioxane remediation in accordance with the Interim Amended Record of Decision for TARP.
- Per the June 30, 2023 letter from EPA and ADEQ, "EPA and DOJ Environmental Enforcement Section plan on presenting a draft consent decree modification to the TIAA responsible parties in the near future, which would resolve responsibilities for 1-4-dioxane ..." Therefore, TAA anticipates that the allocation of costs related to 1,4-Dioxane will be addressed in that Amended CD.
- TAA has not yet had an opportunity to review the draft consent decree. Per a September 14, 2023 email from Jon Owens to Robin Richardson, copying others, TAA's understanding is that "DOJ will soon transmit the draft consent decree for the 1,4-dioxane to Tucson Airport Authority and the City of Tucson / Tucson Water for their review."
- TAA has shared documentation with the USAF regarding the costs it has already contributed to operations and maintenance of the TARP plant, which will be pertinent to determining the appropriate amount of recoverable 1,4-dioxane costs and the proper allocation of those costs.
- TAA remains committed to this effort.

Sincerely,



Danette Bewley, AAE  
President and CEO  
Tucson Airport Authority



Kenneth S. Nichols, PE  
Vice President of Planning and Engineering  
Tucson Airport Authority

Attachments:

cc: Angeles Herrera, EPA  
Mary Aycock, EPA  
Matthew Narter, ADEQ  
Chris Schmaltz, TAA  
Michael Foy, SLW

Michelle Rogow, EPA  
Jon Owens, EPA  
Laura Malone, ADEQ  
James Murphy

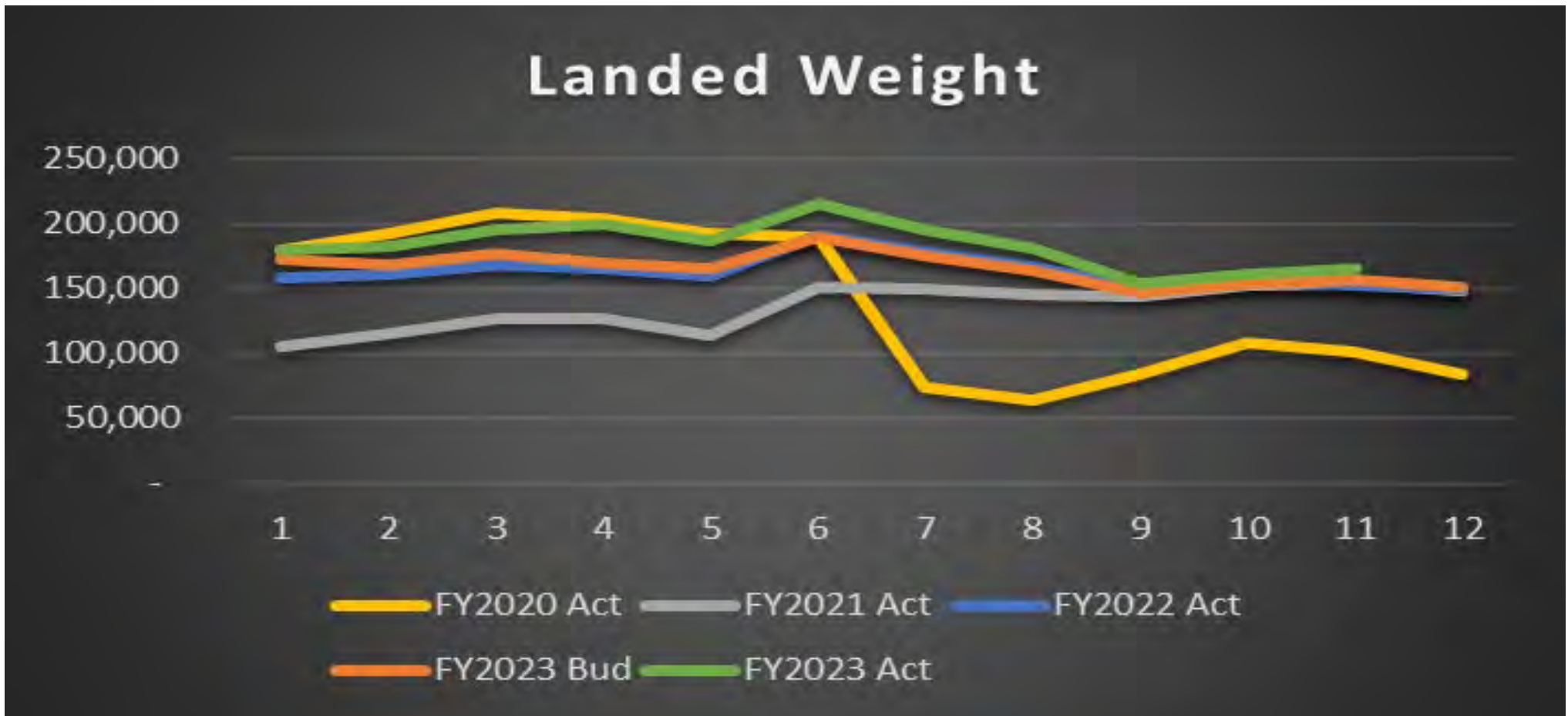


## **August 2023 Financial Highlights**

TAA Board of Directors Meeting

November 1, 2023

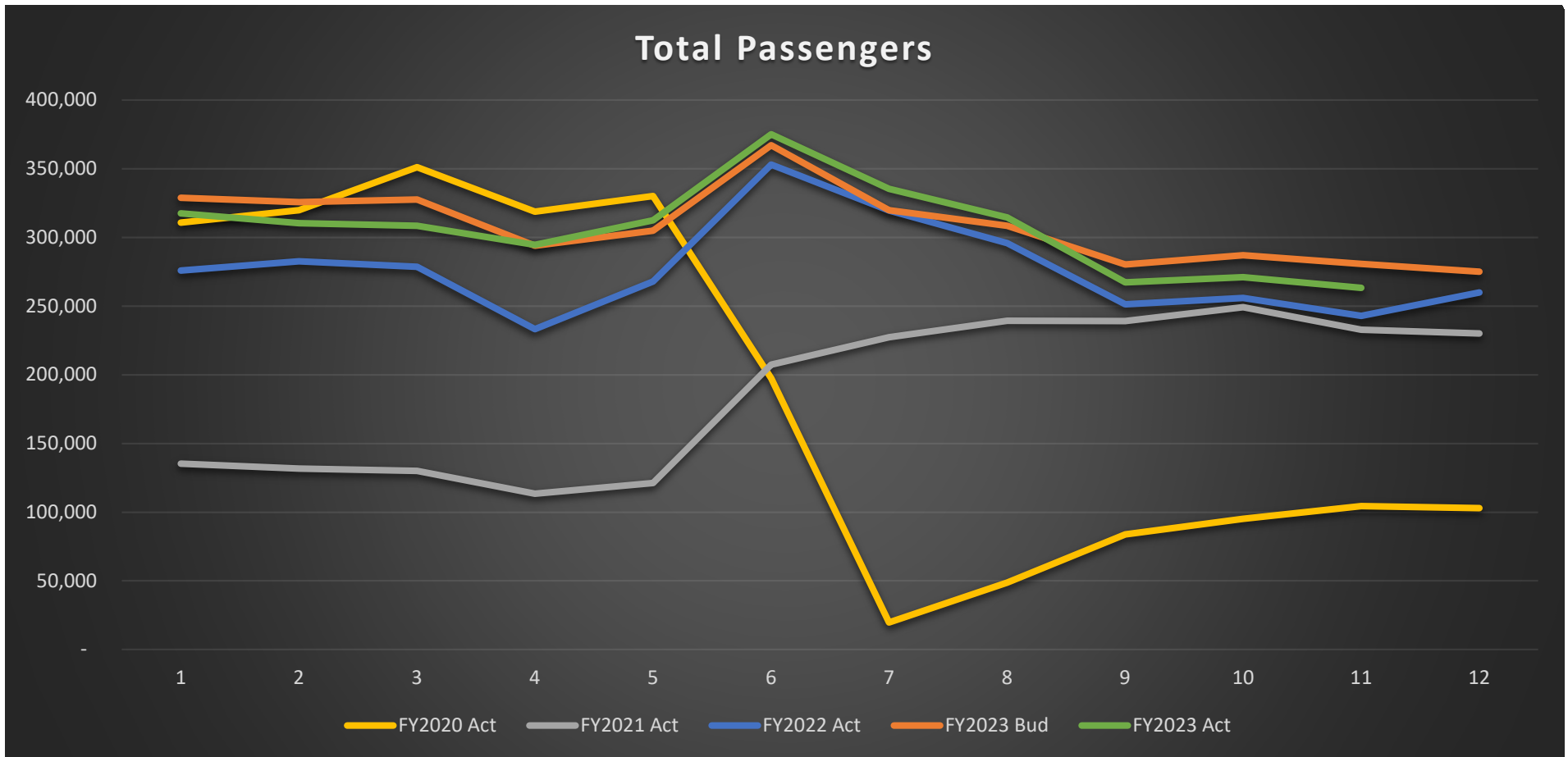
# FY 2023 Operating Statistics



- August Landed Weight is 6.0% above budget, 7.5% higher than FY2021
- YTD Landed Weight is 9.7% above budget, 35.9% higher than FY2021



# FY 2023 Operating Statistics



- August passenger volume is 6.2% below budget, 13.1% higher than FY2021
- YTD passenger volume is 1.6% below budget, 66.3% higher than FY2021

# August 2023 Flight & Passenger Activity

<u>Month</u>	<u>FY2023</u>	<u>FY2022</u>	<u>FY2021</u>	<u>FY2020</u>	<u>FY2019</u>
<b>Total Passengers</b>	<b>263,378</b>	<b>242,898</b>	<b>232,889</b>	<b>104,363</b>	<b>277,106</b>
<b>Average Load Factor</b>	<b>84.8%</b>	<b>81.4%</b>	<b>76.2%</b>	<b>53.2%</b>	<b>80.9%</b>
<b>Average Daily Departures</b>	<b>42.4</b>	<b>40.5</b>	<b>43.6</b>	<b>26.6</b>	<b>48.6</b>
<b>Average Daily Seat Capacity</b>	<b>5,369</b>	<b>5,009</b>	<b>5,062</b>	<b>3,228</b>	<b>5,655</b>
<u>Eleven Months Year-To-Date</u>					
<b>Total Passengers</b>	<b>3,371,030</b>	<b>3,057,565</b>	<b>2,027,436</b>	<b>2,180,836</b>	<b>3,514,979</b>
<b>Average Load Factor</b>	<b>85.2%</b>	<b>85.9%</b>	<b>71.4%</b>	<b>67.3%</b>	<b>83.5%</b>
<b>Average Daily Seat Capacity</b>	<b>6,064</b>	<b>5,401</b>	<b>4,266</b>	<b>4,845</b>	<b>6,282</b>
<b>Average Seat Count per Departure</b>	<b>126.6</b>	<b>123.7</b>	<b>116.1</b>	<b>121.3</b>	<b>116.4</b>

# YTD 2023 Financial Results

	<b>YTD (Oct-Aug) Actual</b>	<b>Total Annual Budget</b>	<b>91.67%</b>
<b>Operating Revenues</b>	<b>\$ 42,791,161</b>	<b>\$ 42,864,610</b>	<b>99.8%</b>
<b>Operating Expenses</b>	<b>34,574,538</b>	<b>39,128,979</b>	<b>88.4%</b>

*August (11<sup>th</sup> month) / 12 months total = 91.67%*

*Revenues above 91.67% = favorable.*

*Expenses below 91.6% = favorable.*

*Financial results for FY23 are unaudited.*

# August 2023 Financial Results

	<u>Actual</u>	<u>Budget</u>	<u>Actual vs. Budget</u>		<u>Prior Year (2022)</u>	<u>Current vs. Prior Year</u>		<u>Pre-Covid June 2019</u>
<b><u>August</u></b>								
Operating Revenues	\$ 3,872,263	\$ 3,593,507	\$ 278,756	7.8%	\$ 3,315,781	\$ 556,481	16.8%	\$ 3,525,176
Operating Expenses	2,970,969	3,037,401	66,433	2.2%	2,961,832	\$ 9,136	0.3%	2,997,869
Operating Income (Loss)	<u>\$ 901,294</u>	<u>\$ 556,105</u>	<u>\$ 345,189</u>		<u>\$ 353,949</u>	<u>\$ 547,345</u>		<u>\$ 527,307</u>
<b><u>Eleven Months Ended 8/2023</u></b>								
Operating Revenues	\$ 42,791,161	\$ 39,300,981	\$ 3,490,180	8.9%	\$ 39,159,898	\$ 3,631,263	9.3%	\$ 42,716,141
Operating Expenses	34,574,538	35,802,332	1,227,794	3.4%	30,821,702	(3,752,836)	-12.2%	28,198,052
Operating Income	<u>\$ 8,216,624</u>	<u>\$ 3,498,649</u>	<u>\$ 4,717,975</u>		<u>\$ 8,338,196</u>	<u>\$ (121,572)</u>		<u>\$ 14,518,089</u>

*Financial results for FY23 are unaudited.*

# August 2023 Operating Revenues

## Operating Revenues

<u>August</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual vs.</u>	
			<u>Budget</u>	
Landing fees	\$ 204,600	\$ 189,957	\$ 14,643	7.7%
Space rentals	952,917	893,487	59,430	6.7%
Land rent	309,366	304,166	5,199	1.7%
Concession revenue	1,766,296	1,684,053	82,243	4.9%
Reimbursed Services	286,387	266,816	19,571	7.3%
Other Operating Revenue	352,697	255,027	97,670	38.3%
<b>Total operating revenues</b>	<b>\$ 3,872,263</b>	<b>\$ 3,593,507</b>	<b>\$ 278,756</b>	<b>7.8%</b>

# August 2023 Operating Expenses

## Operating Expenses

<u>August</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual vs. Budget</u>	
Personnel expenses	\$ 2,028,640	\$ 2,111,293	\$ 82,653	3.9%
Contractual services	770,297	608,062	(162,235)	-26.7%
Materials and supplies	158,933	182,816	23,882	13.1%
Other operating expenses	13,099	135,231	122,132	90.3%
<b>Total operating expenses</b>	<b>\$ 2,970,969</b>	<b>\$ 3,037,401</b>	<b>\$ 66,433</b>	<b>2.2%</b>

*Financial results for FY23 are unaudited.*

# 2023 YTD Revenue

## Operating Revenues

<u>YTD</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual vs.</u>	
			<u>Budget</u>	
Landing fees	\$ 2,527,623	\$ 2,194,241	\$ 333,382	15.2%
Space rentals	10,367,972	9,804,706	563,266	5.7%
Land rent	3,419,880	3,345,831	74,049	2.2%
Concession revenue	20,136,325	18,092,197	2,044,128	11.3%
Reimbursed Services	2,887,202	2,934,972	(47,770)	-1.6%
Other Operating Revenue	3,452,159	2,929,034	523,125	17.9%
<b>Total operating revenues</b>	<b>\$ 42,791,161</b>	<b>\$ 39,300,981</b>	<b>\$ 3,490,180</b>	<b>8.9%</b>

*Financial results for FY23 are unaudited.*

# 2023 YTD Concession Revenue

<u>Account Description</u>	<u>YTD Actual</u>	<u>YTD Budget</u>	<u>Actuals vs. Budget</u>	
Rental Cars	\$ 7,867,129	\$ 7,445,163	\$ 421,967	5.7%
Parking	8,921,089	7,894,709	1,026,380	13.0%
Ground Transportation	388,959	353,965	34,994	9.9%
Advertising	134,769	114,583	20,186	17.6%
Food & Beverage	829,812	522,857	306,955	58.7%
News & Gifts	1,121,773	1,046,880	74,893	7.2%
Transportation Network Company	741,241	638,462	102,779	16.1%
Peer-to-Peer Car Rental	37,740	-	37,740	0.0%
Other	93,812	75,578	18,234	24.1%
<b>Total</b>	<b>\$ 20,136,325</b>	<b>\$ 18,092,197</b>	<b>\$ 2,044,127</b>	<b>11.3%</b>

*Financial results for FY23 are unaudited.*



# 2023 YTD Operating Expenses

## Operating Expenses

### YTD

	<u>Actual</u>	<u>Budget</u>	<u>Actual vs. Budget</u>	
Personnel expenses	\$ 22,768,372	\$ 23,013,700	\$ 245,328	1.1%
Contractual services	8,163,297	8,913,097	749,800	8.4%
Materials and supplies	2,215,386	2,256,527	41,141	1.8%
Other operating expenses	1,427,483	1,619,008	191,525	11.8%
<b>Total operating expenses</b>	<b><u>\$ 34,574,538</u></b>	<b><u>\$ 35,802,332</u></b>	<b><u>\$ 1,227,794</u></b>	<b><u>3.4%</u></b>

*Financial results for FY23 are unaudited.*

# 2023 vs 2022

	<b>2023</b> <b><u>Oct-Aug</u></b>	<b>2022</b> <b><u>Oct-Aug</u></b>	<b><u>2023 vs 2022</u></b>
<b>Operating Revenues</b>	<b>\$ 42,791,161</b>	<b>\$ 39,159,898</b>	<b>9.3%</b>
<b>Operating Expenses</b>	<b>34,574,538</b>	<b>30,821,702</b>	<b>12.2%</b>

*Financial results for FY23 are unaudited.*

# 2023 vs 2019 (Pre-Covid)

	<b>2023</b> <b><u>Oct-Aug</u></b>	<b>Pre-Covid</b> <b><u>Oct-Aug 2019</u></b>	<b><u>2023 vs 2019</u></b>
<b>Operating Revenues</b>	<b>\$ 42,791,161</b>	<b>\$ 42,716,141</b>	<b>0.2%</b>
<b>Operating Expenses</b>	<b>34,574,538</b>	<b>28,198,052</b>	<b>22.6%</b>

*Financial results for FY23 are unaudited.*

# Finance Update

Questions?

**Date:** November 1, 2023

**To:** Board of Directors  
**From:** Kim Allison, Chief Financial Officer  
**Re:** Summary of Financial Performance for August 2023

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

- Tucson Airport Authority generated net operating income before depreciation and amortization of \$901,294 for August 2023, which is \$345,189 favorable to budget due to favorable operating revenues and expenses described below.
- Year-to-date, Tucson Airport Authority net operating income before depreciation and amortization of \$8,216,624 exceeded the budget by \$4,717,975. The favorable position is attributable to operating revenues and expenses described below.

**Operating Revenues (YTD vs budget):**

- In August, operating revenue of \$3,872,263 is favorable to budget by \$278,756 or 7.8% and favorable to prior year by \$556,482 or 14.4%. The increase from the previous year is largely due to increased concession revenues, other operating revenues, and space rentals. Compared to August 2019 (Pre-COVID), total operating revenues for the month were higher by \$347,087.
- Year-to-date operating revenues were favorable to budget by \$3,490,180 or 8.9%, with favorable variances in all revenue categories except for reimbursed services.

**Operating Expenses (YTD vs budget):**

- In August, total operating expenses were lower than budget by \$66,433 or 2.2%. The favorable variance is largely due to lower-than-budgeted personnel expenses. Operating expenses were unfavorable to the previous year by \$9,137 or 0.3% and were favorable to August 2019 (Pre-COVID) by \$26,900 or 0.9%.
- Year-to-date total operating expenses of \$34,574,538 are favorable to budget by \$1,227,794 or 3.4%. All operating expense categories are lower than budgeted. Contractual services expenses drive most of the favorable variance.

# FINANCIAL SUMMARY



For the eleven months ending August 31, 2023

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

	CURRENT MONTH - August 2023			August 2022	PRE-COVID August 2019
	BUDGET	ACTUAL	FAV (UNFAV)	ACTUAL	ACTUAL
<b>OPERATING REVENUES:</b>					
Landing fees	189,957	204,600	14,643	183,877	\$ 231,772
Space rentals	893,487	952,917	59,430	894,135	1,252,289
Land rent	304,166	309,366	5,199	307,071	292,526
Concession revenue	1,684,053	1,766,296	82,243	1,488,909	1,299,689
Reimbursed services	266,816	286,387	19,571	210,604	227,259
Other operating revenues	255,027	352,697	97,670	231,186	221,641
<b>Total Operating Revenues</b>	<b>3,593,507</b>	<b>3,872,263</b>	<b>278,756</b>	<b>3,315,781</b>	<b>3,525,176</b>
<b>OPERATING EXPENSES:</b>					
Personnel expenses	2,111,293	2,028,640	82,653	1,894,010	1,635,929
Contractual services	608,062	770,297	(162,235)	773,771	1,122,437
Materials and supplies	182,816	158,933	23,882	173,806	164,563
Other operating expenses	135,231	13,099	122,132	120,245	74,941
<b>Total Operating Expenses</b>	<b>3,037,401</b>	<b>2,970,969</b>	<b>66,433</b>	<b>2,961,832</b>	<b>2,997,869</b>
<b>NET OPERATING INCOME (LOSS) BEFORE DEPRECIATION AND AMORTIZATION</b>	<b>556,105</b>	<b>901,294</b>	<b>345,189</b>	<b>353,949</b>	<b>527,307</b>
Depreciation and Amortization	1,763,217	1,753,864	9,352	1,703,052	1,542,604
<b>OPERATING INCOME (LOSS)</b>	<b>(1,207,111)</b>	<b>(852,570)</b>	<b>354,541</b>	<b>(1,349,103)</b>	<b>(1,015,297)</b>
<b>NONOPERATING INCOME (EXPENSES)</b>					
Interest Income	43,868	221,359	177,490	45,814	390,090
Net increase/(decrease) in fair value of investments	-	498,370	498,370	(797,238)	243,697
Passenger facility charges	554,399	537,238	(17,161)	448,256	486,695
Interest expense and fiscal charges	(55,059)	(55,059)	-	(62,934)	(85,244)
Gain/(Loss) on disposition of capital assets	-	-	-	-	-
Other nonoperating revenues (expenses)	-	(23,854)	(23,854)	12,684,567	(25)
<b>Total nonoperating revenues (expenses)</b>	<b>543,208</b>	<b>1,178,054</b>	<b>634,845</b>	<b>12,318,465</b>	<b>1,035,213</b>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	<b>(663,903)</b>	<b>325,483</b>	<b>989,386</b>	<b>10,969,363</b>	<b>19,916</b>
<b>CAPITAL CONTRIBUTIONS:</b>					
Federal	3,680,928	934,315	(2,746,613)	7,884,163	-
State	54,372	34,202	(20,169)	16,864	-
<b>Total capital contributions</b>	<b>3,735,300</b>	<b>968,517</b>	<b>(2,766,783)</b>	<b>7,901,027</b>	<b>-</b>
<b>INCREASE (DECREASE) IN NET POSITION</b>	<b>\$ 3,071,396</b>	<b>1,294,000</b>	<b>\$ (1,777,396)</b>	<b>\$ 18,870,389</b>	<b>\$ 19,916</b>

**TUCSON AIRPORT AUTHORITY**  
**STATEMENT OF REVENUES , EXPENSES AND**  
**CHANGES IN NET POSITION**  
*For the eleven months ending August 31, 2023*

	CURRENT YEAR TO DATE - August 2023			YTD - August 2022	PRE-COVID YTD - August 2019
	BUDGET	ACTUAL	FAV (UNFAV)	ACTUAL	ACTUAL
<b>OPERATING REVENUES:</b>					
Landing fees	\$ 2,194,241	\$ 2,527,623	\$ 333,382	\$ 2,309,135	\$ 2,850,558
Space rentals	9,804,706	10,367,972	563,266	9,844,203	13,808,334
Land rent	3,345,831	3,419,880	74,049	3,368,721	3,222,379
Concession revenue	18,092,197	20,136,325	2,044,128	17,743,248	17,138,780
Reimbursed services	2,934,972	2,887,202	(47,770)	2,695,806	2,886,700
Other operating revenues	2,929,034	3,452,159	523,125	3,198,785	2,809,390
<b>Total operating revenues</b>	<b>39,300,981</b>	<b>42,791,161</b>	<b>3,490,180</b>	<b>39,159,898</b>	<b>42,716,141</b>
<b>OPERATING EXPENSES:</b>					
Personnel expenses	23,013,700	22,768,372	245,328	20,164,907	19,551,795
Contractual services	8,913,097	8,163,297	749,800	7,832,456	6,398,952
Materials and supplies	2,256,527	2,215,386	41,141	1,705,251	1,375,714
Other operating expenses	1,619,008	1,427,483	191,525	1,119,088	871,591
<b>Total Operating Expenses</b>	<b>35,802,332</b>	<b>34,574,538</b>	<b>1,227,794</b>	<b>30,821,702</b>	<b>28,198,052</b>
<b>NET OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION</b>	<b>3,498,649</b>	<b>8,216,624</b>	<b>4,717,975</b>	<b>8,338,196</b>	<b>14,518,089</b>
Depreciation and Amortization	19,395,382	19,475,605	(80,223)	18,520,449	16,735,226
<b>OPERATING INCOME (LOSS)</b>	<b>(15,896,733)</b>	<b>(11,258,981)</b>	<b>4,637,752</b>	<b>(10,182,253)</b>	<b>(2,217,137)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>					
Interest Income	482,553	1,730,201	1,247,648	431,944	2,911,581
Net increase/(decrease) in fair value of investments	-	3,203,645	3,203,645	(5,447,856)	1,787,212
Passenger facility charges	6,752,714	6,392,174	(360,540)	5,838,275	6,508,726
Interest expense and fiscal charges	(631,755)	(631,755)	0	(717,651)	(991,918)
Gain/(Loss) on disposition of capital assets	-	(7,955)	(7,955)	3,250	5,989
Other nonoperating revenues (expenses)	881,773	3,335,493	2,453,720	13,086,766	124,375
<b>Total nonoperating revenues (expenses)</b>	<b>7,485,285</b>	<b>14,021,803</b>	<b>6,536,518</b>	<b>13,194,728</b>	<b>10,345,965</b>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	<b>(8,411,448)</b>	<b>2,762,822</b>	<b>11,174,271</b>	<b>3,012,475</b>	<b>8,128,828</b>
<b>CAPITAL CONTRIBUTIONS:</b>					
Federal	40,490,209	12,703,143	(27,787,066)	22,560,894	2,414,422
State	598,087	504,095	(93,992)	260,623	91,101
<b>Total capital contributions</b>	<b>41,088,296</b>	<b>13,207,238</b>	<b>(27,881,058)</b>	<b>22,821,517</b>	<b>2,505,523</b>
<b>INCREASE (DECREASE) IN NET POSITION</b>	<b>\$ 32,676,848</b>	<b>\$ 15,970,061</b>	<b>\$ (16,706,787)</b>	<b>25,833,992</b>	<b>10,634,351</b>
<b>TOTAL NET POSITION, (BEGINNING)</b>		<b>471,774,021</b>		<b>443,000,496</b>	<b>386,970,849</b>
<b>TOTAL NET POSITION, (ENDING)</b>		<b>\$ 487,744,082</b>		<b>\$ 468,834,488</b>	<b>\$ 397,605,200</b>



**TUCSON AIRPORT AUTHORITY  
STATEMENT OF NET POSITION**

<b>ASSETS</b>	<b>August-23</b>	<b>August-22</b>
<b>CURRENT ASSETS</b>		
Unrestricted assets:		
Cash and cash equivalents	55,278,050	21,823,201
Investments	86,874,276	110,187,697
Accounts receivable, net of allowance for doubtful accounts of \$644,643.85 and \$352,438 for FY2023 and FY2022, respectively	413,914	1,357,230
Accrued interest receivable	156,770	158,115
Grants receivable	1,603,058	19,856,722
Short-Term lease receivable	5,040,303	5,125,804
Inventories	457,434	399,375
Prepaid expenses and other assets	1,098,178	1,102,831
Total unrestricted current assets	<u>150,921,983</u>	<u>160,010,975</u>
Restricted assets:		
Cash and cash equivalents	10,171,265	1,453,355
Investments	21,471,878	25,828,970
Accounts receivable	526,327	469,623
Accrued interest receivable	39,843	42,086
Total restricted current assets	<u>32,209,313</u>	<u>27,794,034</u>
<b>Total current assets</b>	<b><u>183,131,296</u></b>	<b><u>187,805,009</u></b>
<b>Noncurrent assets:</b>		
Unrestricted assets:		
Long-Term lease receivable	80,137,980	85,421,232
Capital assets		
Not depreciated	164,602,507	140,560,181
Depreciated, net	206,976,361	211,944,408
Net capital assets	<u>371,578,868</u>	<u>352,504,589</u>
Total unrestricted noncurrent assets	<u>451,716,848</u>	<u>437,925,821</u>
<b>Total noncurrent assets</b>	<b><u>451,716,848</u></b>	<b><u>437,925,821</u></b>
<b>TOTAL ASSETS</b>	<b><u>634,848,144</u></b>	<b><u>625,730,830</u></b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows from pensions	5,599,775	4,180,444
Total deferred outflows of resources	<u>5,599,775</u>	<u>4,180,444</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b><u>640,447,919</u></b>	<b><u>629,911,274</u></b>

**TUCSON AIRPORT AUTHORITY  
STATEMENT OF NET POSITION**

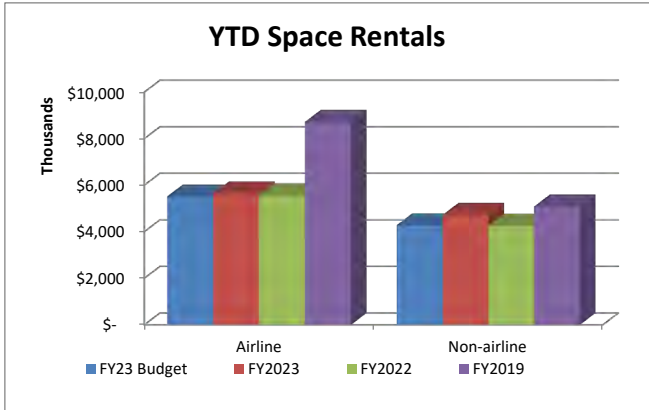
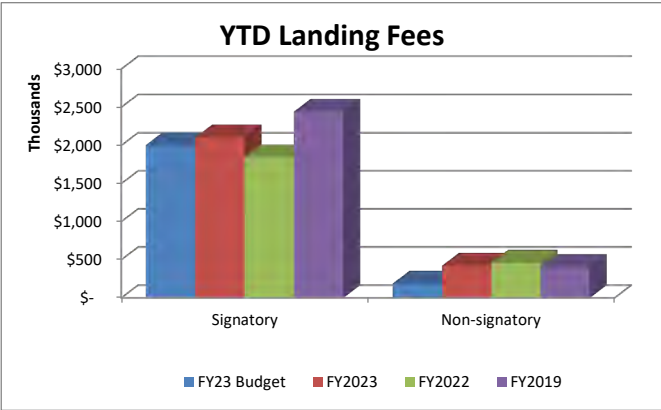
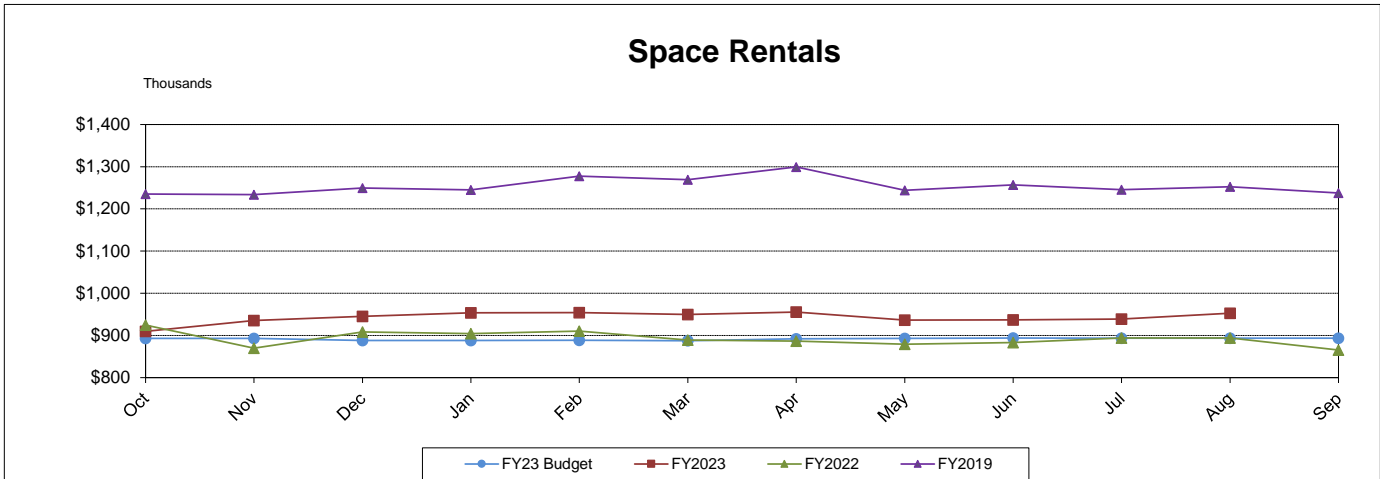
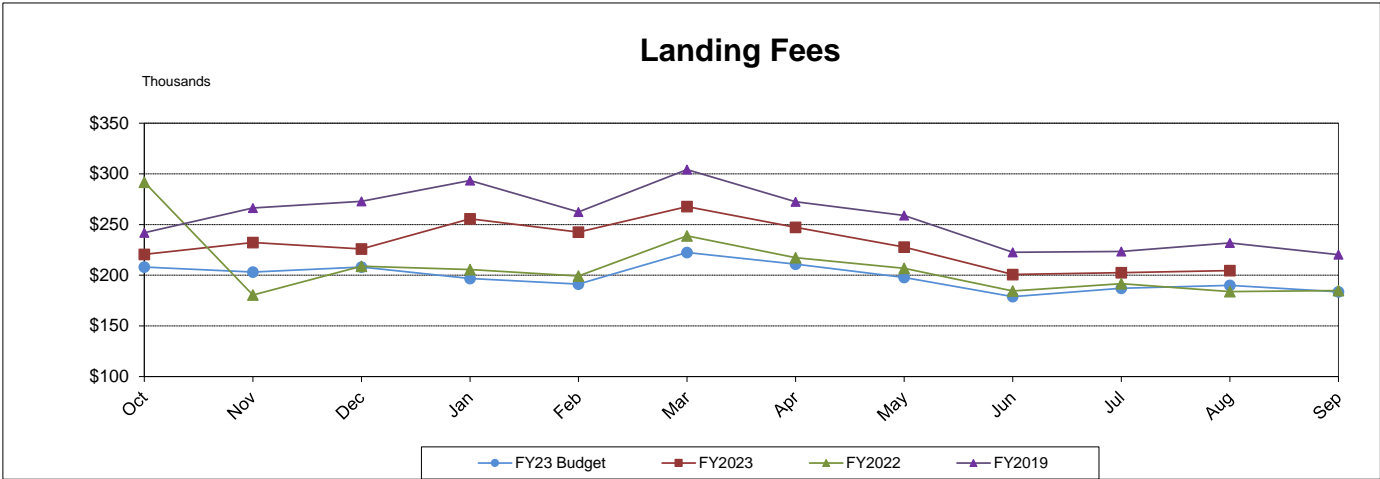
**LIABILITIES & NET ASSETS (Con't)**

<b>LIABILITIES</b>	<b>August-23</b>	<b>August-22</b>
<b>CURRENT LIABILITIES</b>		
<b>Payable from unrestricted assets:</b>		
Accounts payable	1,730,635	1,366,419
Accrued expenses	2,760,316	2,558,942
Unearned revenue	1,605,206	1,703,464
Construction contracts payable	-	1,929,956
Current portion of environmental remediation payable	2,385,508	2,008,668
Current portion of bonds payable:		
Airport Subordinate Lien Revenue Bonds, Series 2018	1,610,000	1,565,000
Total payable from unrestricted assets	<u>10,091,665</u>	<u>11,132,449</u>
 Payable from restricted assets		
Accrued interest payable:		
Airport Subordinate Lien Revenue Bonds, Series 2018	293,154	336,596
	<u>293,154</u>	<u>336,596</u>
Current portion of environmental remediation payable	572,412	392,447
	<u>865,566</u>	<u>729,043</u>
Total payable from restricted assets	<u>865,566</u>	<u>729,043</u>
<b>Total current liabilities</b>	<b><u>10,957,231</u></b>	<b><u>11,861,492</u></b>
 <b>NONCURRENT LIABILITIES</b>		
Payable from unrestricted assets		
Bonds payable, net of current portion:		
Airport Subordinate Lien Revenue Bonds, Series 2018	20,145,537	23,449,211
Net pension liability	20,039,902	11,019,309
Environmental Remediation Payable, net of current portion	16,520,990	17,849,926
Total payable from unrestricted assets	<u>56,706,429</u>	<u>52,318,446</u>
<b>Total noncurrent liabilities</b>	<b><u>56,706,429</u></b>	<b><u>52,318,446</u></b>
 <b>TOTAL LIABILITIES</b>	<b><u>67,663,660</u></b>	<b><u>64,179,938</u></b>

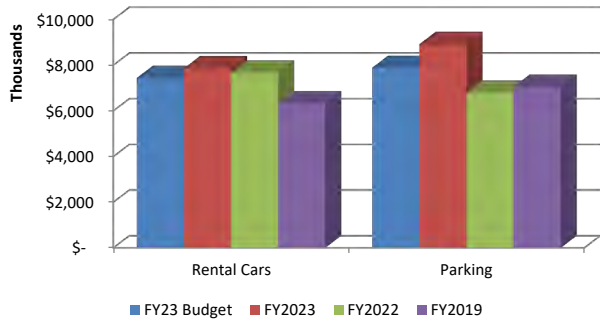
**TUCSON AIRPORT AUTHORITY  
STATEMENT OF NET POSITION**

**LIABILITIES & NET ASSETS (Con't)**

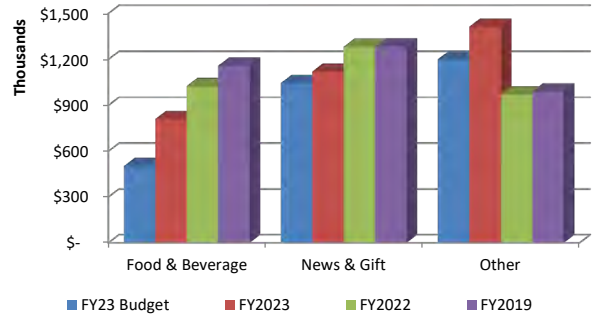
	<b>August-23</b>	<b>August-22</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows from pensions	1,192,681	7,457,762
Deferred inflows from leases-ST	5,147,628	5,310,886
Deferred inflows from leases-LT	78,699,868	84,128,201
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>85,040,177</b>	<b>96,896,848</b>
<b>NET POSITION</b>		
Net Investment in capital assets	349,823,331	327,490,378
Restricted:		
Debt service	1,383,333	1,337,500
Capital projects	30,532,826	26,119,937
	<b>31,916,159</b>	<b>27,457,438</b>
Unrestricted	106,004,592	113,886,672
<b>TOTAL NET POSITION</b>	<b>487,744,082</b>	<b>468,834,488</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>640,447,919</b>	<b>629,911,274</b>



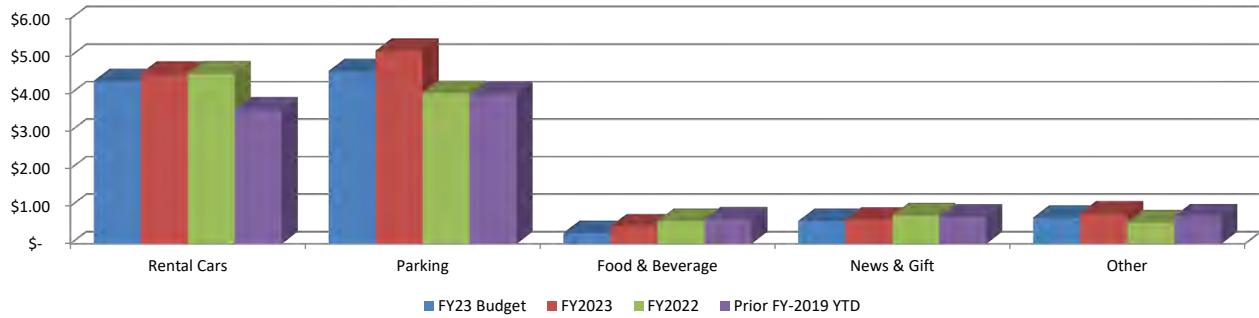
**YTD Concession Revenue**



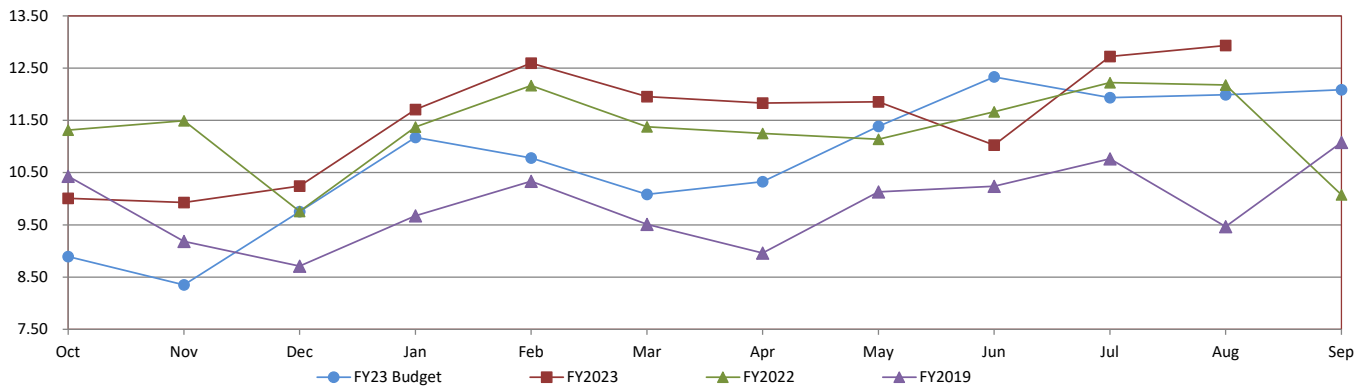
**YTD Concession Revenue**



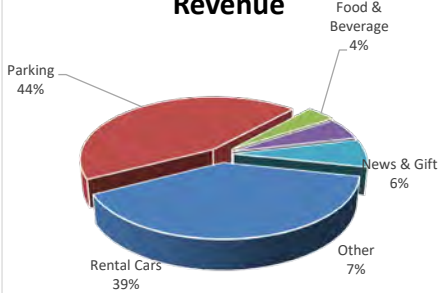
**Year-to-Date Concession Revenue per Enplaned Passenger**



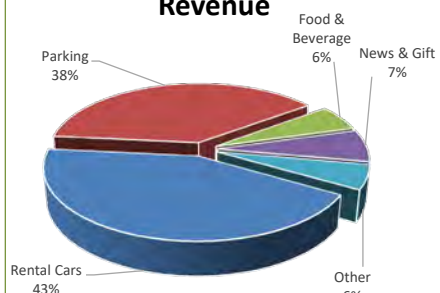
**Monthly Concession Revenue per Enplaned Passenger**



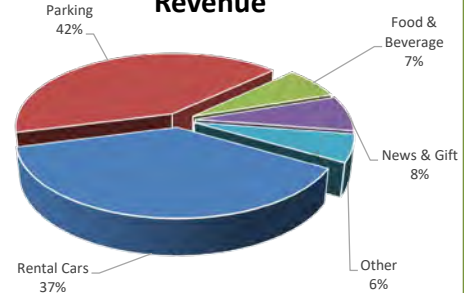
**FY-2023 YTD Concession Revenue**



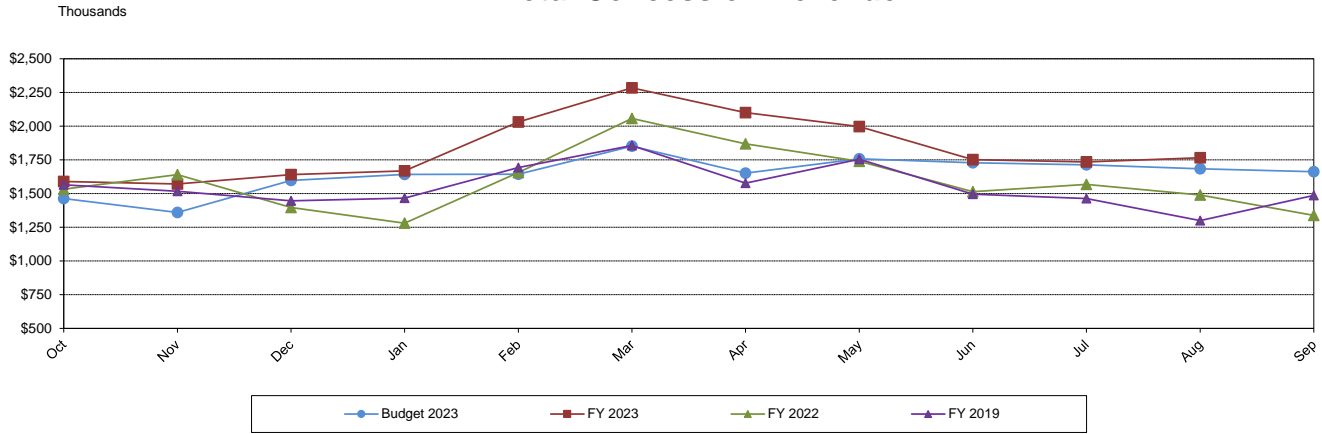
**FY-2022 YTD Concession Revenue**



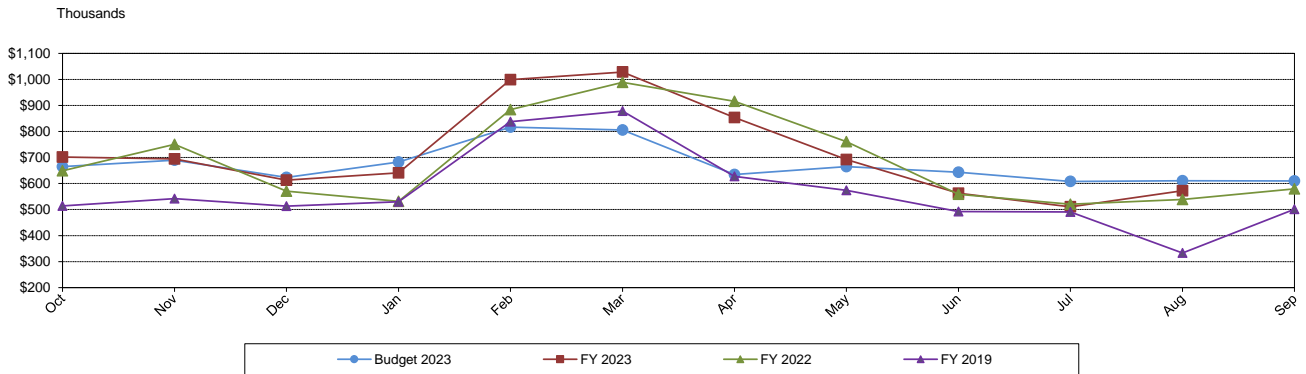
**FY-2019 YTD Concession Revenue**



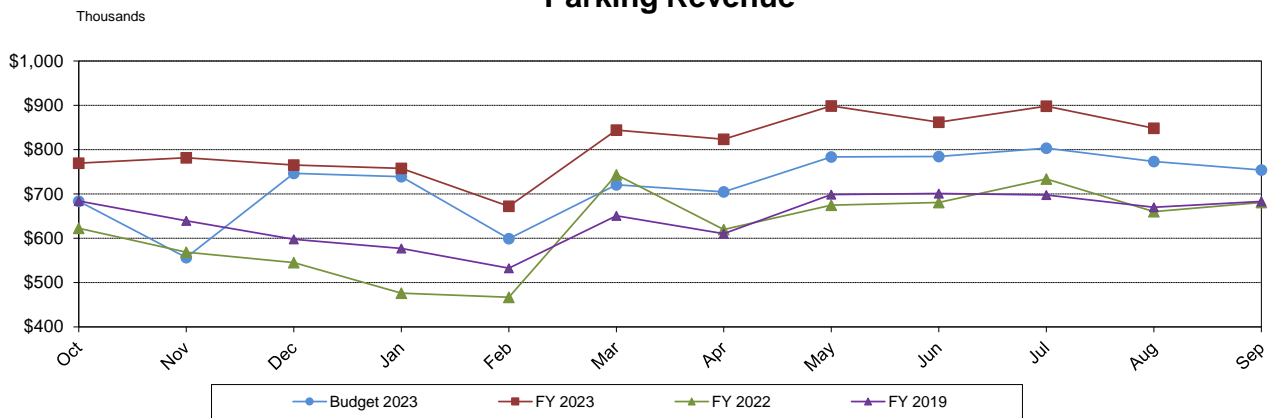
### Total Concession Revenue



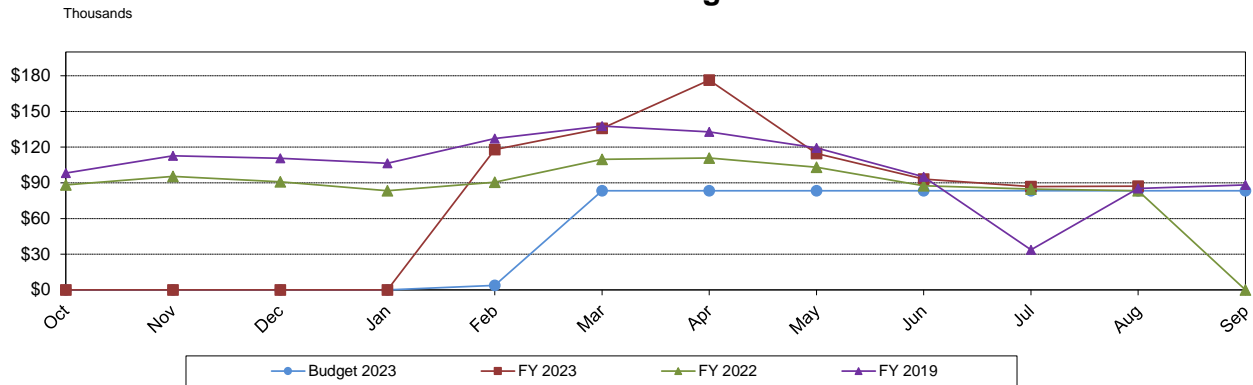
### Rental Car Revenue



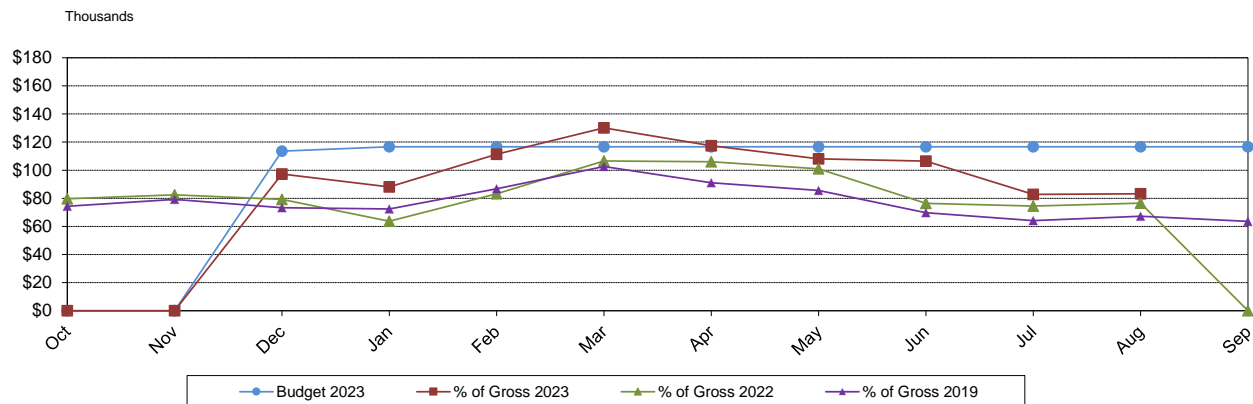
### Parking Revenue



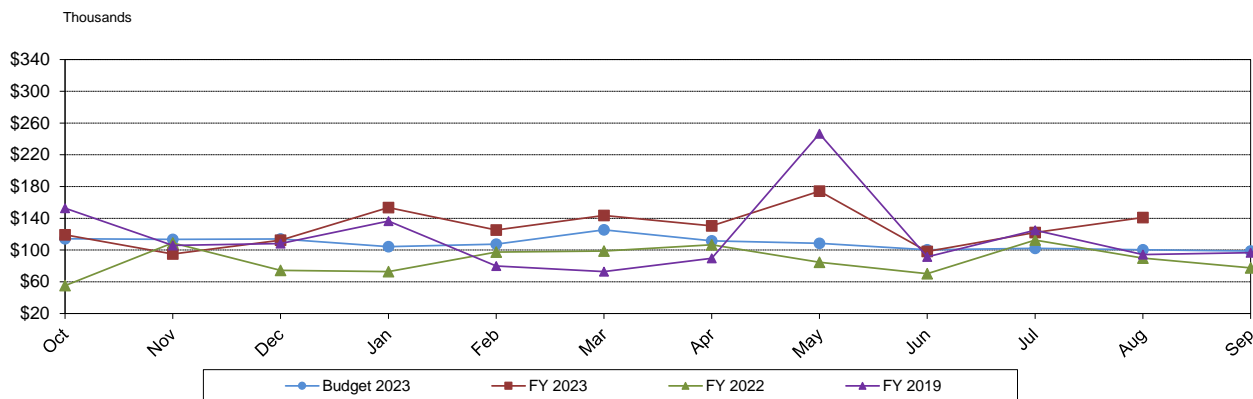
### Food & Beverage Revenue\*



### News & Gift\*



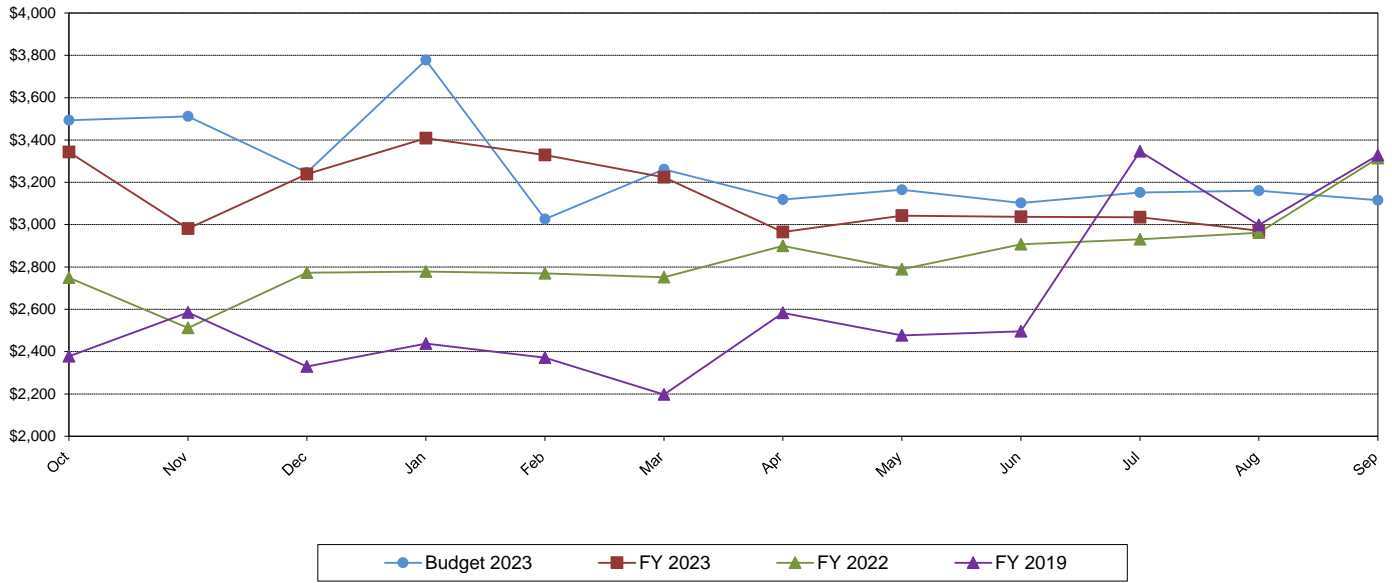
### Other Concession Revenue



\* 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.

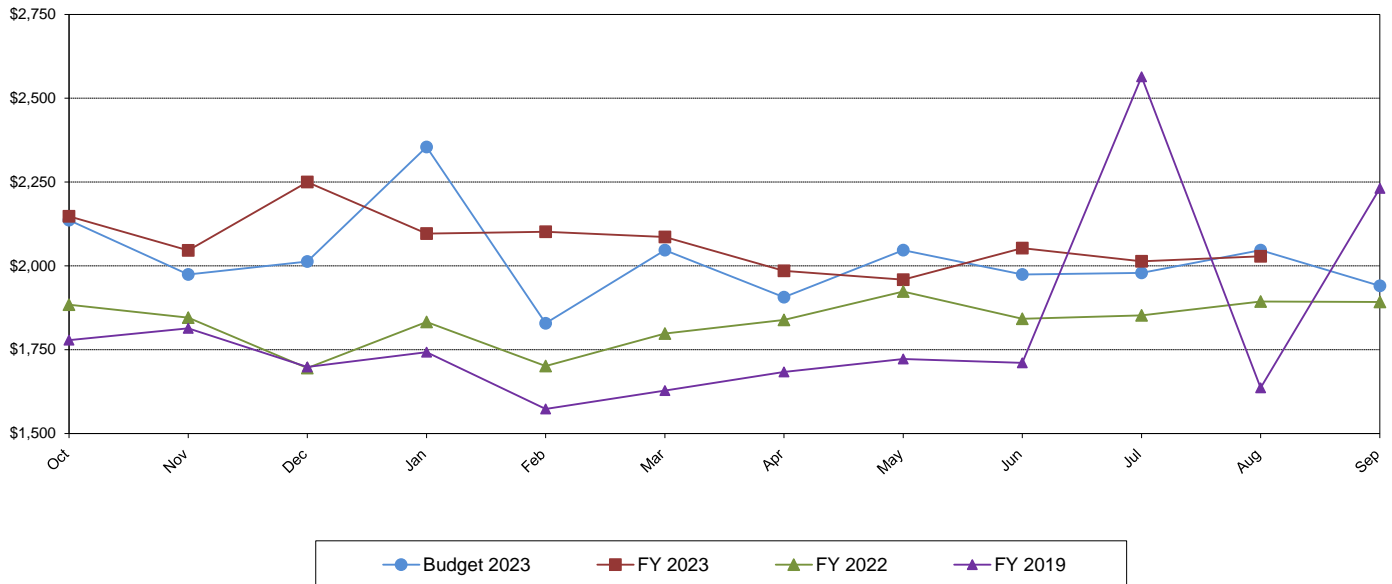
## Total Operating Expenses

Thousands



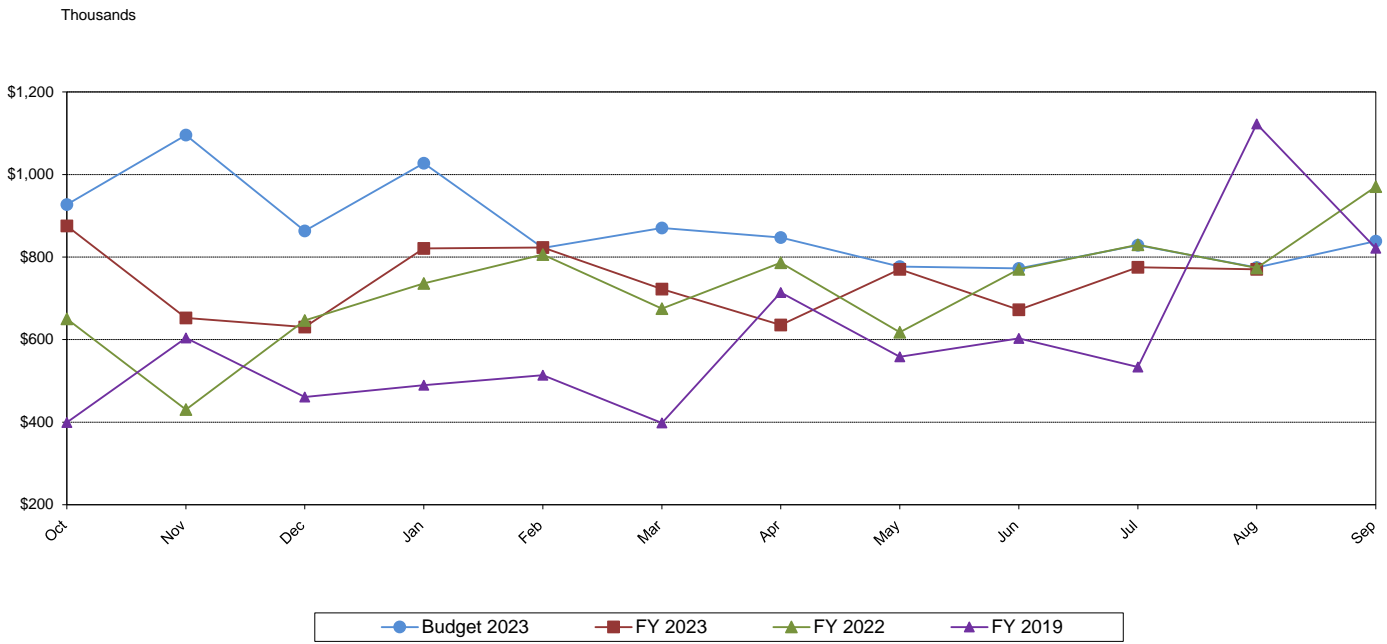
## Personnel Expenses

Thousands

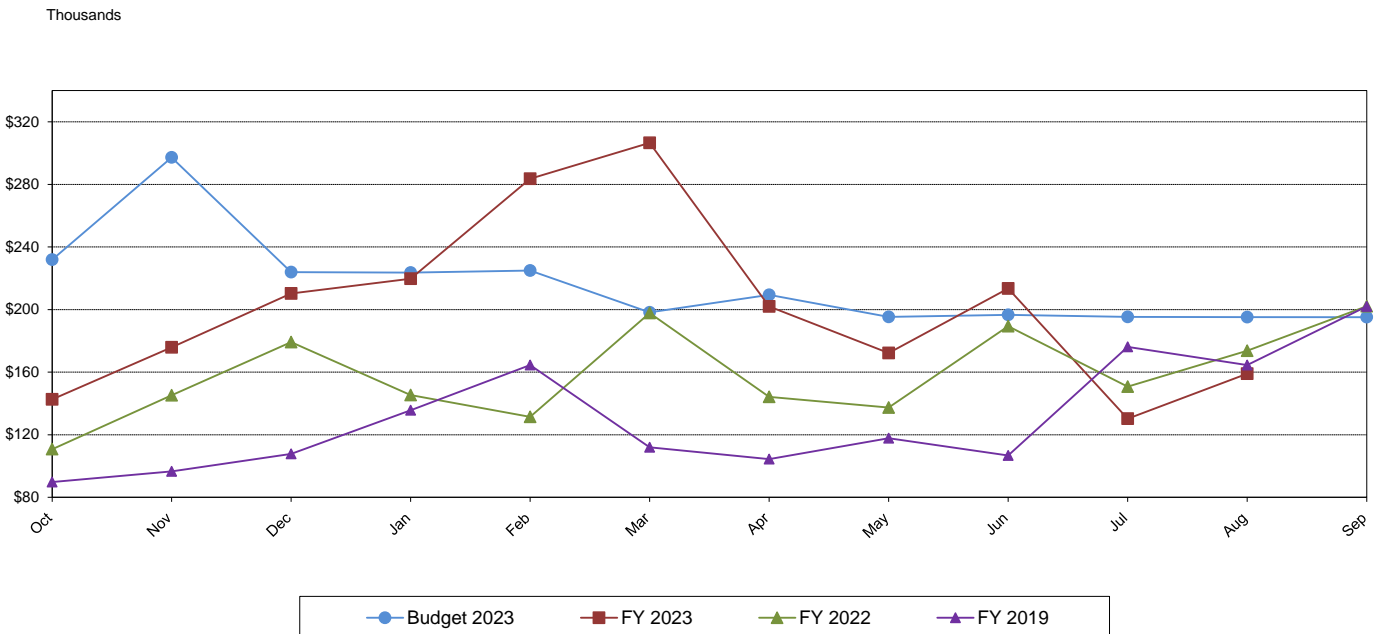




## Contractual Services

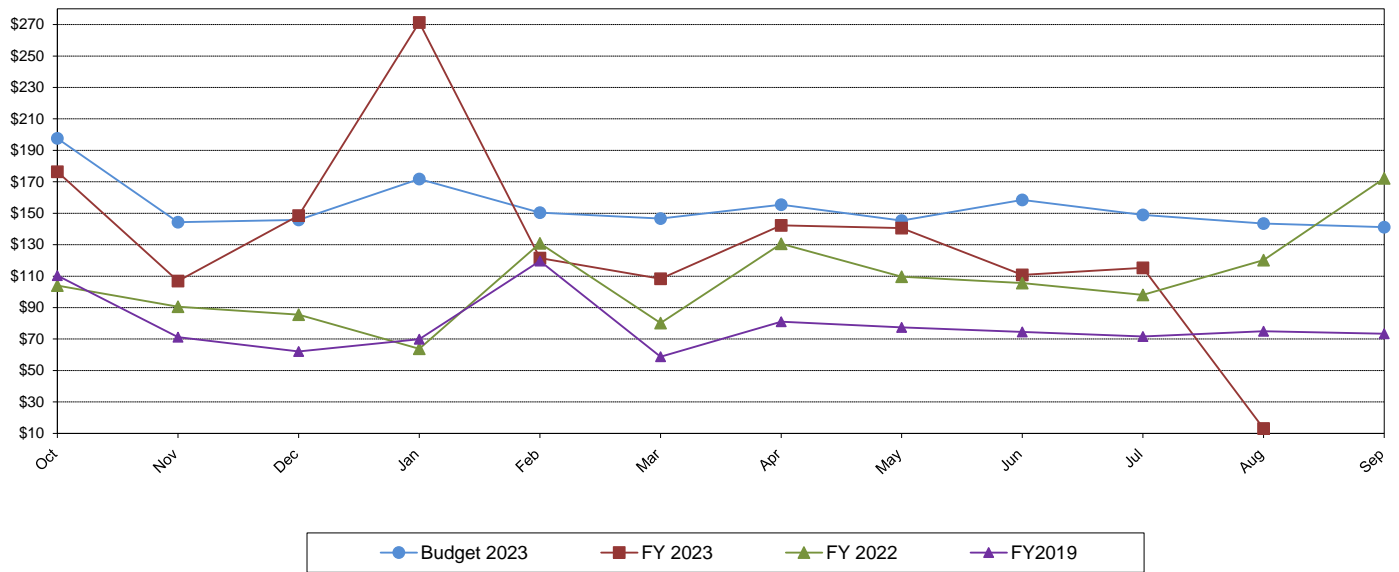


## Materials and Supplies



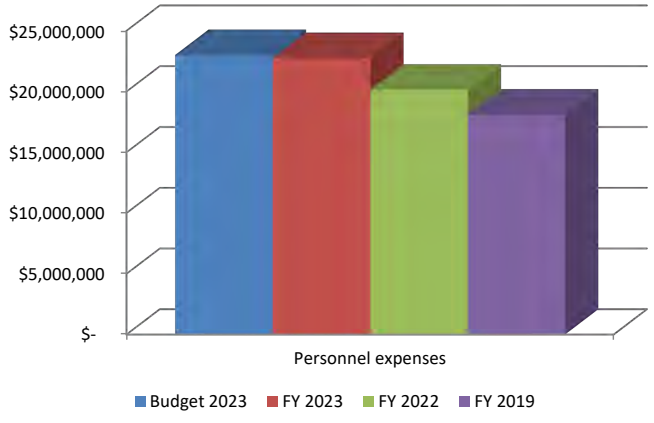
## Other Operating Expenses\*

Thousands

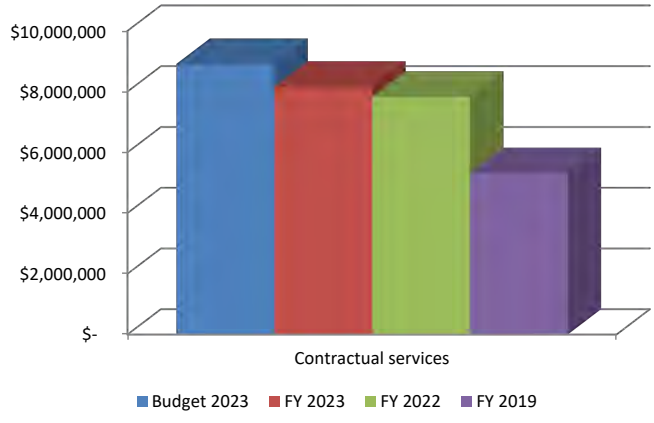


\* January 2023 includes an un-budgeted one-time payment of \$110K for the repair of the metal panels of the damaged departure-level overhang.

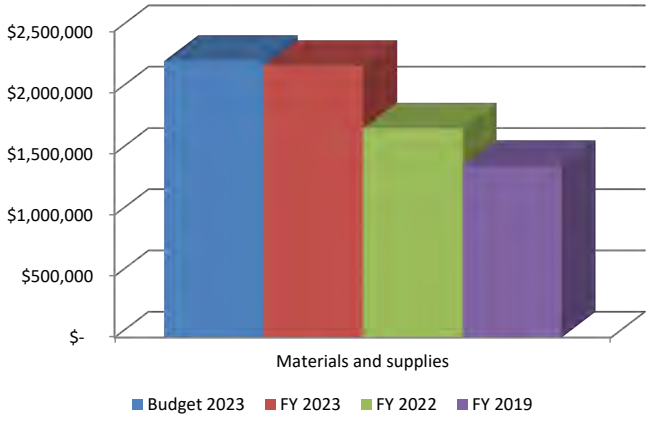
### YTD Personnel Expenses



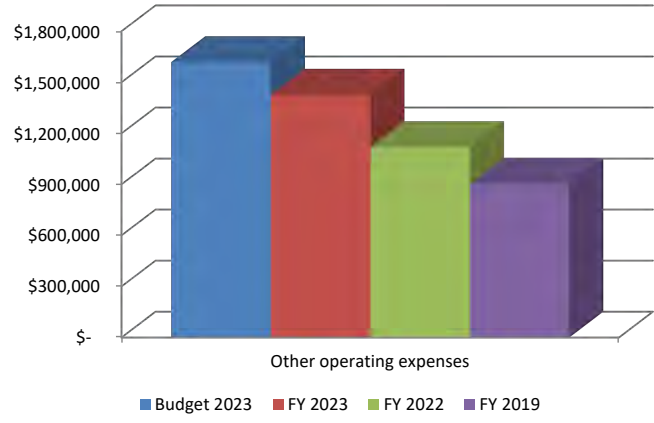
### YTD Contractual Services



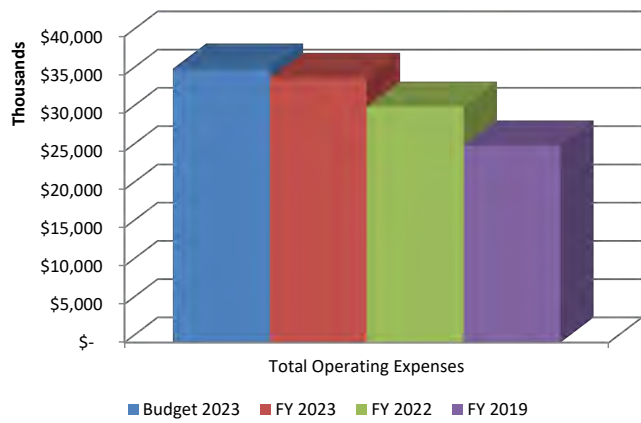
### YTD Materials and Supplies



### YTD Other Operating Expenses



### YTD Total Operating Expenses



**Date:** November 1, 2023

**To:** Board of Directors  
**From:** Kim Allison, Chief Financial Officer  
**Re:** Aviation Activity and Statistics for August 2023

**Total Passengers (YTD vs prior year):**

- Total passengers for the month of August 2023 were 8.4% higher than prior year and 4.95% lower than August 2019 (Pre-CoVID).
- Total passengers year-to-date through August 2023 were 2.8% higher than the same period last year and 4.1% lower than the same period in FY 2019.

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

- The month of August had an average daily departure count of 42.4, which is 1.9 higher than August 2022.
- Service to San Diego (1) was offset by decreases in service to Los Angeles (1).
- Departure increases for Southwest (1) were offset by decreases in service for United (1).

**Average Daily Seat capacity (YTD vs prior years):**

- Seat capacity for August 2023 was 7.2% higher than August 2022 and 5.1% lower than August 2019.
- YTD, seat capacity was 12.3% higher than the same period in 2022 and 3.8% lower than the same period in 2019 (Pre-CoVID).

**Load Factors (MTD & YTD vs prior years):**

- The load factor for August was 85.8%, which is 3.4% higher than August 2022 and 1.9% higher than August 2019.
- YTD, the load factor was 85.2%, which is 0.7% lower than the same period in 2022 and 3.9% higher than the same period in 2019.

**Aircraft Operations (MTD & YTD vs prior year):**

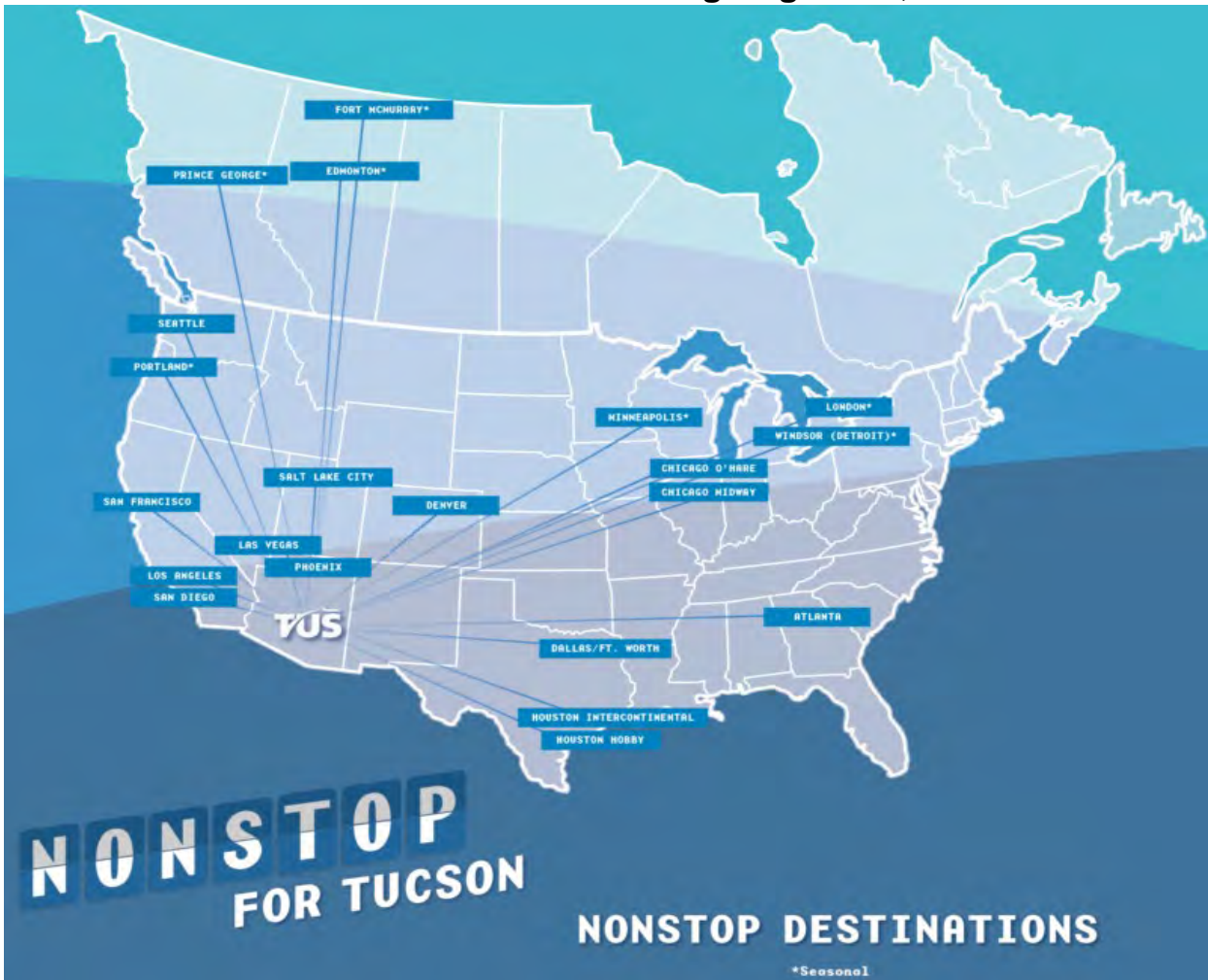
- Freight, measured in pounds, is 5.5% higher in August compared to the same month last year and 5.6% lower year-to-date than the same period in 2022.
- Total aircraft operations were 19.6% higher in August than the same month last year, with increases in all aircraft operations categories except general aviation.
- Year-to-date operations are 14.2% higher compared to prior year, with increases in all aircraft operations categories except general aviation.

TUCSON AIRPORT AUTHORITY  
TUS PASSENGER ACTIVITY



**AVIATION ACTIVITY REPORTS**  
**Tucson International Airport (TUS)**

For the eleven months ending August 31, 2023



*Prepared by Tucson Airport Authority  
Finance Department*

**TUCSON AIRPORT AUTHORITY  
TUS PASSENGER ACTIVITY**

**TUCSON AIRPORT AUTHORITY  
TUS ACTIVITY OVERVIEW**

PASSENGERS*				Fiscal YTD		
	Aug-23	Aug-22	% CHANGE	2023	2022	% CHANGE
ENPLANED	136,573	122,272	11.7%	1,731,301	1,553,416	11.5%
DEPLANED	126,805	120,626	5.1%	1,639,729	1,504,149	9.0%
<b>TOTAL</b>	<b>263,378</b>	<b>242,898</b>	<b>8.4%</b>	<b>3,371,030</b>	<b>3,057,565</b>	<b>10.3%</b>

\*Passenger figures include non-revenue passengers.

**LANDED WEIGHT\*\***

AIR CARGO	15,179	13,490	12.5%	145,082	146,521	-1.0%
AIR CARRIER	150,762	138,962	8.5%	1,872,042	1,666,224	12.4%
<b>TOTAL</b>	<b>165,941</b>	<b>152,452</b>	<b>8.8%</b>	<b>2,017,124</b>	<b>1,812,745</b>	<b>11.3%</b>

\*\*In thousand pound units.

**FREIGHT (in pounds)**

ENPLANED	2,792,913	2,612,839	6.9%	28,355,157	28,884,105	-1.8%
DEPLANED	3,029,167	2,906,255	4.2%	29,755,687	32,646,947	-8.9%
<b>TOTAL</b>	<b>5,822,080</b>	<b>5,519,094</b>	<b>5.5%</b>	<b>58,110,844</b>	<b>61,531,052</b>	<b>-5.6%</b>

**MAIL (in pounds)**

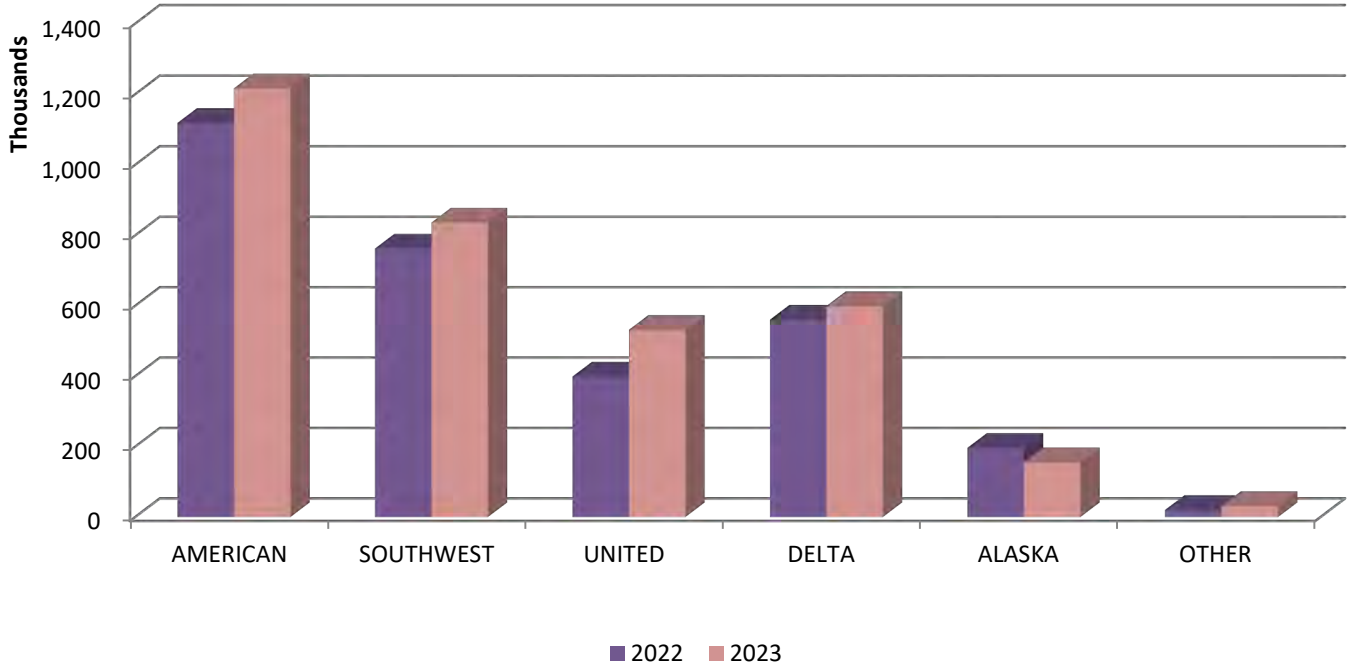
ENPLANED	0	78	-100.0%	192	4,453	-95.7%
DEPLANED	0	83	-100.0%	206	2,814	-92.7%
<b>TOTAL</b>	<b>0</b>	<b>161</b>	<b>-100.0%</b>	<b>398</b>	<b>7,267</b>	<b>-94.5%</b>

**AIRCRAFT OPERATIONS**

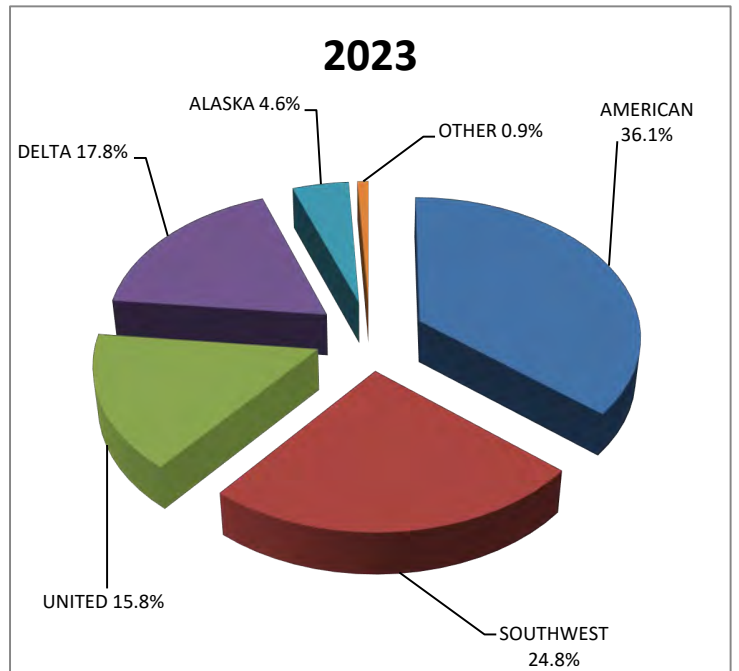
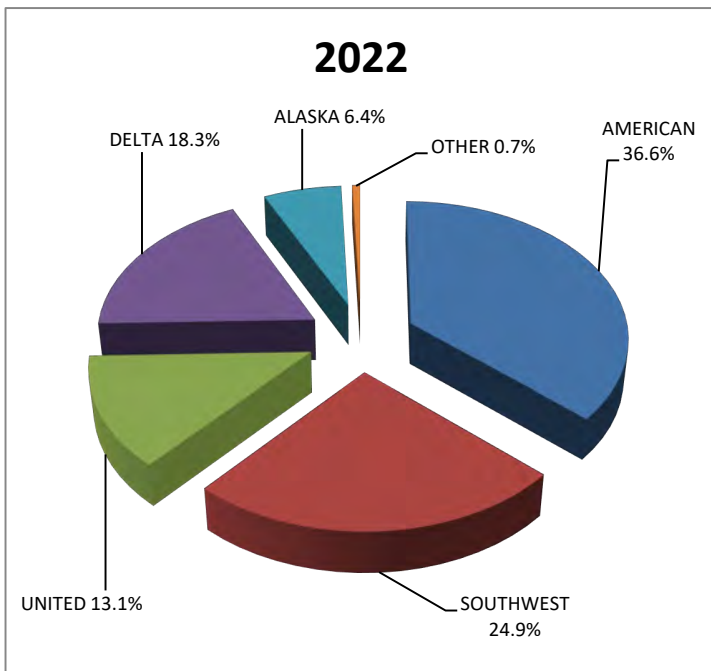
AIR CARRIER	2,957	2,481	19.2%	32,774	29,622	10.6%
AIR TAXI	3,184	1,289	147.0%	29,717	16,689	78.1%
MILITARY	2,743	2,080	31.9%	28,538	23,110	23.5%
GENERAL AVIATION	3,036	4,117	-26.3%	53,091	56,799	-6.5%
<b>TOTAL</b>	<b>11,920</b>	<b>9,967</b>	<b>19.6%</b>	<b>144,120</b>	<b>126,220</b>	<b>14.2%</b>

# TUCSON AIRPORT AUTHORITY TUS PASSENGER ACTIVITY

## TOTAL PASSENGERS YTD BY AIR CARRIER

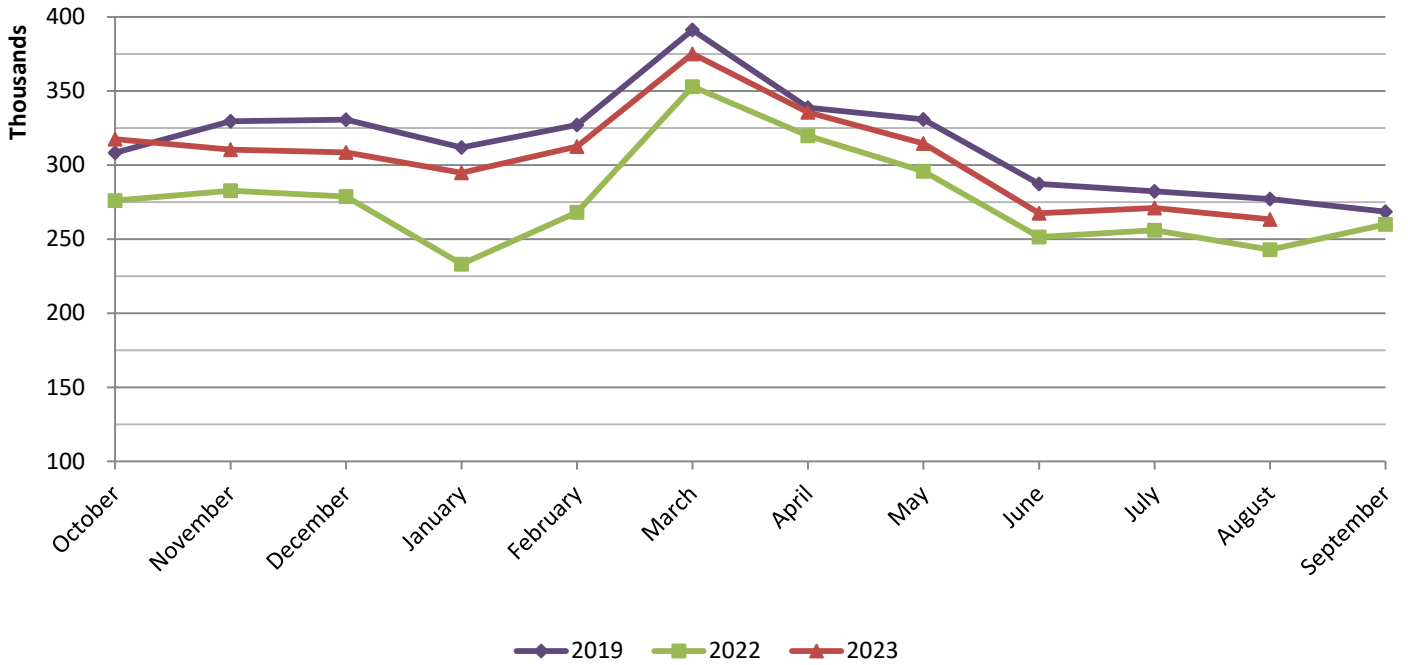


## AIR CARRIER MARKET SHARE

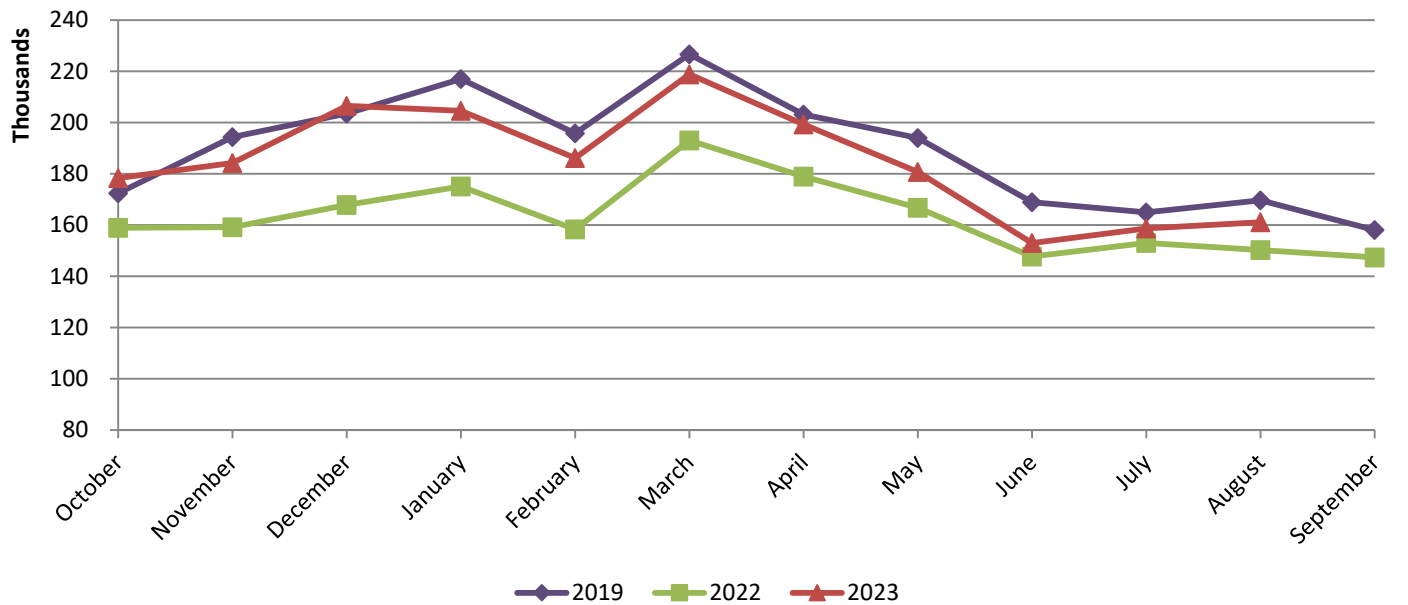


# TUCSON AIRPORT AUTHORITY TUS PASSENGER ACTIVITY

## TOTAL PASSENGERS BY MONTH



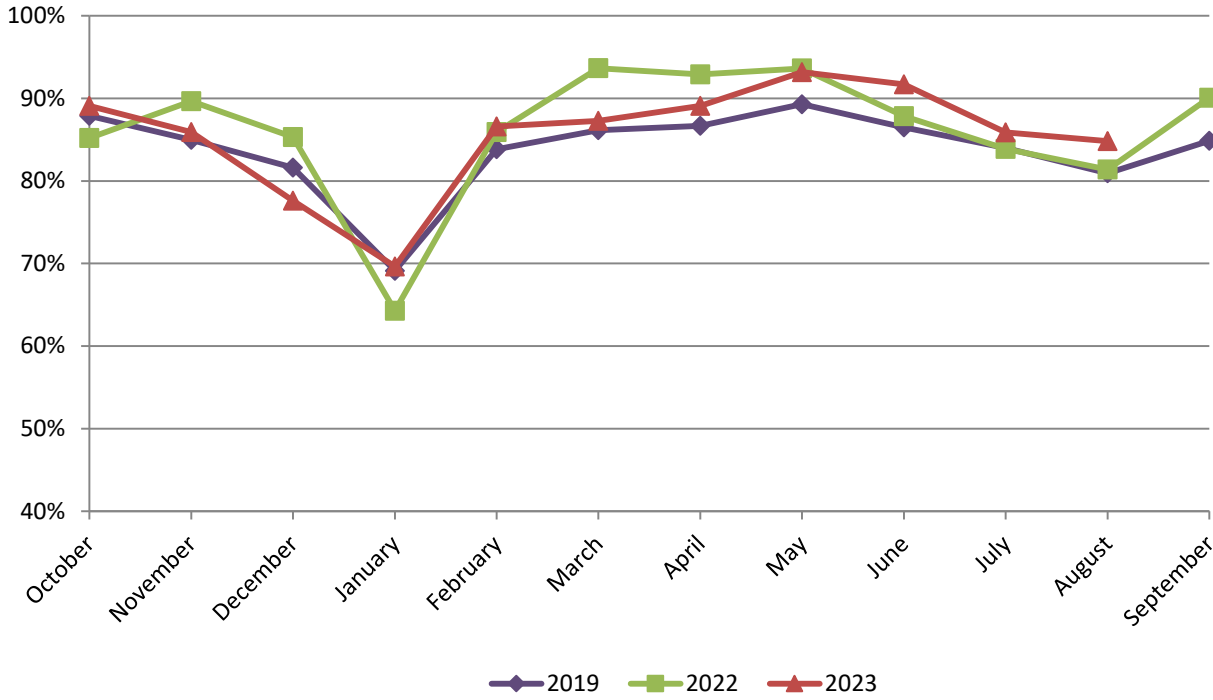
## AVERAGE SEAT CAPACITY PER MONTH





# 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)</i>	ATL	2.0	1.9	0.1	360	357	3
DENVER <i>United (2), Southwest (2.8)</i>	DEN	4.8	5.0	(0.2)	590	520	70
DALLAS/FT WORTH <i>American (5.5)</i>	DFW	5.5	5.6	(0.1)	977	1,032	(55)
HOUSTON HOBBY <i>Southwest (1)</i>	HOU	1.0	0.9	0.1	169	152	17
HOUSTON BUSH <i>United (2)</i>	IAH	2.0	2.0	0.0	147	152	(5)
LAS VEGAS <i>Southwest (2.9)</i>	LAS	2.9	2.9	0.0	417	447	(30)
LOS ANGELES <i>Delta (2.7), American (2) Southwest (1.8)</i>	LAX	6.5	6.5	0.0	638	623	15
CHICAGO MIDWAY <i>Southwest (.1)</i>	MDW	0.1	0.1	0.0	18	23	(5)
CHICAGO O'HARE <i>American (1) United (0)</i>	ORD	1.0	1.0	0.0	172	156	16
PHOENIX <i>American (6.8)</i>	PHX	6.8	5.7	1.1	655	524	131
SAN DIEGO <i>Southwest (1.8)</i>	SAN	1.8	1.0	0.8	303	147	156
SEATTLE/TACOMA <i>Alaska (2) Delta (1)</i>	SEA	3.0	3.0	0.0	382	361	21
SAN FRANCISCO <i>United (2)</i>	SFO	2.0	2.0	0.0	146	126	20
SALT LAKE CITY <i>Delta (3)</i>	SLC	3.0	3.0	0.0	222	228	(6)
<b>TOTAL</b>		<b>42.4</b>	<b>40.6</b>	<b>1.80</b>	<b>5,196</b>	<b>4,848</b>	<b>348</b>