

TUCSON AIRPORT AUTHORITY | Board of Directors Regular Meeting Monday, January 22, 2024 | Approximately 10:15 a.m. Hacienda del Sol Guest Ranch Resort | Hacienda Room 5501 N. Hacienda del Sol Road, Tucson, Arizona 85718

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 **Monday, January 22, 2024, beginning at approximately 10:15 a.m., or shortly following adjournment of the TAA Annual Meeting, which begins at 9:00 a.m. Directors and the public may attend in person at the aforementioned location.**

The agenda for the meeting is as follows:

1. CALL TO ORDER | ROLL CALL

Keri Silvyn, Chair	Judy Rich, Director
Mike Hammond, Director	Phil Swaim, Director
Todd Jackson, Director	Vance Falbaum, Director
Calline Sanchez, Director	Fran Katz, Director
Rhonda Piña, Director	Ellen Wheeler, Director*

2. ELECTION OF OFFICERS

The Nominating Council, in accordance with the Bylaws, has recommended a slate of corporate officers for 2024. The Board of Directors will consider and may approve a list of nominees for corporate officers, as may be modified by the Board under the TAA Bylaws.

3. BOARD TRAINING | DISCUSSION

Executive Vice President and General Counsel Christopher Schmaltz, and Deputy General Counsel Kim Outlaw Ryan, will present to the Board of Directors training on corporate governance and the fiduciary role of the Board of Directors for the Tucson Airport Authority as an Arizona non-profit corporation, and federally regulated entity, Arizona Open Meeting Laws, and the Arizona Public Records Laws.

4. 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.

^{*}As may be approved by the TAA Membership during the Annual Meeting on January 22, 2024.



a. Approval of Minutes

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

b. Delegation of Grant Authority to the President/CEO for 2024

Adopt Resolution No. 2024-01 delegating authority to the President/CEO or her designee(s) for the application, execution, and delivery of grant agreements, military construction cooperative agreements, and associated intergovernmental agreements.

c. 2024 Board of Directors Meeting Schedule

Adopt Resolution No. 2024-02 approving the 2024 Board of Directors meeting schedule and acknowledging the date of the 2025 TAA Annual Meeting and the initial meeting of the 2024 Board of Directors.

d. Additional Extension of Rental Car Concessions Contracts

Adopt Resolution No. 2024-03 authorizing the President/CEO or her designee(s) to extend the current month-to-month rental car contracts by an additional four months to May 31, 2024.

e. Appointments to Advisory Councils

Adopt Resolution No. 2024-04 approving appointments to certain TAA Advisory Councils.

5. BOARD CHAIR REPORT

- a. Remarks from the Board Chair
- **b.** TAA and Staff Recognition | New or Promoted Employees, Awards, and Acknowledgments

6. PRESIDENT/CEO REPORT

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

7. PRESENTATION/DISCUSSION

FAA Compliance Audit – Final Report



8. ACTION ITEMS

New Ground Lease with Ace DevCo NC, LLC ("AES") ["Project Lasso"]

Adopt Resolution No. 2024-05 authorizing the President/CEO or her designee(s) to negotiate and execute a ground lease with Ace DevCo NC, LLC ("AES"), in accordance with key business terms.

9. **DIVISION UPDATES**

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

- a. Finance and Regulatory Administration
- b. Operations | Federal Aviation Administration Annual FAR Part 139 Inspection

10. NEXT MEETING

Wednesday, March 6, 2024, 3:00 p.m.* | Hybrid Meeting – TAA Board Room and Microsoft Teams

*As per the meeting scheduled adopted by the Board on January 22, 2024.

11. ADJOURNMENT



TUCSON AIRPORT AUTHORITY | Board of Directors Regular Meeting Wednesday, December 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 3:08 p.m.

Directors Present: Chair Keri Silvyn, Vice Chair Mike Hammond, Secretary Phil Swaim, Treasurer Vance Falbaum, Director Bruce Dusenberry, Director Todd Jackson, Director Sally Fernandez, Director Fran Katz, and Director Rhonda Piña

Directors Absent: Director Judy Rich (due to TAA-related technical issues) and Director Calline Sanchez

Others Present: TAA Member Carol Stewart and TAA Member Shannon Murphy

Staff Present: President/CEO Danette Bewley, Executive Vice President/Chief Operating Officer Bruce Goetz, Executive Vice President/General Counsel Chris Schmaltz, Vice President/Chief Revenue Officer John Voorhees, Vice President/Chief People Officer Twyla Salaiz, Vice President of Airport Development Ken Nichols, Vice President/Chief Financial Officer Kim Allison, Deputy General Counsel Kim Outlaw Ryan, Chief Technology Officer Anthony Casella, Chief Communications Officer Austin Wright, IT Customer Support Technician Hector Lopez, and TAA Clerk Byron Jones

2. CONSENT AGENDA

- a. Approval of Minutes
- **b.** Emeritus Member Appointments (Resolution No. 2023-23)
- c. Parking Management Services Contract (Resolution No. 2023-24)
- d. Taxi Services Contract (Resolution No. 2023-25)



Motion by Director Jackson, seconded by Secretary Swaim, to approve the Consent Agenda. The motion carried by the following vote:

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

Nays (0)

3. **BOARD CHAIR REPORT**

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

Chair Silvyn reported the following:

- ☐ In an effort to streamline the organization, the day-to-day operations of the airport have been shifted from President/CEO Danette Bewley to Executive Vice President/Chief Operating Officer (COO) Bruce Goetz.
 - Under the new structure, the COO will oversee the following departments: Airport Development (formerly Planning and Engineering), Finance, Business and Commercial Development, People Operations, (Airfield) Operations, and Information Technology. TAA is actively recruiting a Vice President of Operations, who will also report to the COO.
 - To ensure retention and in keeping with industry best practices, Chris Schmaltz has been promoted from Vice President/General Counsel to Executive Vice President/General Counsel. He will continue to oversee the following departments: Legal Services; Office, Records and Warehouse; and Purchasing.
 - Both Executive Vice Presidents and the Chief Communications Officer will report to the President/CEO.
- ☐ The Commission on Accreditation for Law Enforcement Agencies recently conducted its annual audit of the TAA Police Department ("TAAPD"). The department successfully passed the inspection. This voluntary accreditation ensures the TAAPD is operating within best practices and policies for law enforcement agencies, which reduces risk and lowers TAA's insurance rates.



4. PRESIDENT/CEO REPORT

a. State of the Industry | Update

President/CEO Danette Bewley reported the following:

The United States Congress extended the funding of the government via a Continuing Resolution through December 31, 2023. Absent a bill, the Airport Improvement Program ("AIP") continues to operate under the

FY23 funding levels.

Alaska Airlines recently submitted an offer to purchase Hawaiian Airlines. The merger has to be approved by federal regulators, but with Alaska Airlines being a strong carrier at TUS, it will benefit the Tucson market by adding connectivity between Tucson and Hawaii.

October 2023 passenger traffic was up 8.4% year over year and 10.7% year to date. The Thanksgiving travel season was busy with nearly all flights operating at capacity. TAA is forecasting that 3.86 million passengers will pass through TUS in FY 24, which is 5.8% higher than FY 23.

5. PRESENTATION/DISCUSSION

a. Board Portal | Presentation

Chief Technology Officer Anthony Casella gave a demonstration of a Microsoft SharePoint site which TAA has developed as a central location for directors to access information relevant to their position. An addition to storing agendas for upcoming meetings, the site will host an archive of agendas and minutes from previous meetings, approved resolutions, governing documents, the TAA Strategic Plan, among others. Directors will also have the ability to join board meetings directly through the portal and have access to a calendar which incorporates information for all TAA meetings and events. Staff anticipates a soft launch of the site in early 2024, with full access to the entire Board by the end of the first quarter.

The Board expressed overall support and appreciation for the endeavor and look forward to its implementation. Directors who were interested in participating in the soft launch of the site were asked to contact TAA Clerk Byron Jones.

6. ACTION ITEMS

2024 TAA Membership Nominations

Executive Vice President/General Counsel Chris Schmaltz reminded the Board that under the Bylaws, nominations made by the Nominating Council will automatically appear on the ballot to be voted on during the TAA Annual Meeting in January 2024. The Board may direct the Nominating Council to reconsider any or all of the nominees



it puts forward, but it does not have the ability to remove a nominee. The 2024 nominees were:

<u>New N</u>	<u>lembers:</u>
	Rob Elias, President/CEO of the Tucson Hispanic Chamber of Commerce
	Michael Levin, Chief Executive Officer of The Port of Tucson
	Rose Lopez, President/CEO of Intermountain Health Centers
	Karla Morales, Vice President of the Arizona Technology Council
	Lesah Sesma-Gay, General Manager of the Casino del Sol Resort Casino
Directo	ore:
Directi	_
	Todd Jackson for a second three-year term
	Judy Rich for a third three-year term
	Ellen Wheeler for an initial three-year term
<u> 2024 C</u>	Corporate Officers:
	Chair of the Board: Chair Silvyn's term runs through January 2025.
	Vice Chair of the Board: Director Mike Hammond
	Secretary: Director Phil Swaim
	Treasurer: Director Vance Falbaum

There was no Board discussion or action regarding the 2024 nominations.

7. DIVISION UPDATES

Memos from the Business and Commercial Development and Finance and Regulatory Administration divisions were included in the agenda packet. There were no questions from the Board; therefore, Chair Silvyn opted to forego verbal updates in the interest of time.

a. Airport Development (As of December 1, 2023; formerly Planning and Engineering)

b. Marketing and Air Service Development

Chief Information Officer Austin Wright reported that the current marketing campaign is focused on the ease of use of TUS. In addition to radio spots, TAA will be making significant investments in television advertising in 2024. TAA has also begun a partnership with University of Arizona Athletics to use TUS as their primary airport when traveling. TAA will leverage this partnership to reach student travelers, which is currently an untapped market.



8. **NEXT MEETING**

Monday, January 22, 2024 | Immediately following the TAA Annual Meeting that begins at 9:00 a.m. | Hacienda del Sol Guest Ranch Resort, Hacienda Room | 5501 N. Hacienda del Sol Road, Tucson, Arizona 85718

9. ADJOURN

There being no further business to discuss, Chair Silvyn adjourned the meeting at 3:53 p.m.

APPROVED BY:	Prepared by:
Phil Swaim, Secretary	Byron Jones, TAA Clerk
Date:	Date:



A RESOLUTION OF THE BOARD OF DIRECTORS OF THE TUCSON AIRPORT AUTHORITY, INC., DELEGATING AUTHORITY TO THE PRESIDENT/CEO OR HER DESIGNEE(S) FOR THE APPLICATION, EXECUTION, AND DELIVERY OF GRANT AGREEMENTS, MILITARY CONSTRUCTION COOPERATIVE AGREEMENTS, AND ASSOCIATED INTERGOVERNMENTAL AGREEMENTS.

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

- 1. The President/CEO or her designee(s) is authorized to apply for all available Federal, State, and local grant money that may be available to fund TAA projects or provide reimbursement for any eligible expenses incurred by the TAA. The President/CEO or her designee(s) is further directed and authorized to act as the TAA's official representative in connection with all grant applications and associated documents and to provide such information as may be required in connection with such grants.
- 2. The Board of Directors authorizes and approves the acceptance of all Federal, State, and local grants and hereby authorizes the President/CEO (or her designee[s]) to execute and to deliver all such grant applications, agreements, and related documents, including, but not limited to, intergovernmental and cooperative agreements.
- 3. This delegation of authority shall be effective through January 26, 2025, or one day prior to the date of the next TAA Annual Meeting.

PASSED AND ADOPTED by the Board of Directors of the Tucson Airport Authority, Inc., this twenty-second day of January, 2024.

	Keri Silvyn, Chair of the Board
ATTEST:	APPROVED AS TO FORM:
Phil Swaim, Secretary	Christopher Schmaltz, Executive Vice President and General Counsel



A RESOLUTION OF THE BOARD OF DIRECTORS OF THE TUCSON AIRPORT AUTHORITY, INC., APPROVING THE 2024 BOARD OF DIRECTORS MEETING SCHEDULE AND ACKNOWLEDGING THE DATE OF THE 2025 TAA ANNUAL MEETING AND THE INITIAL MEETING OF THE 2025 BOARD OF DIRECTORS.

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

- 1. **2024 BOARD OF DIRECTORS MEETING SCHEDULE:** The Board of Directors meeting schedule for 2024, as presented in the *Notice of Regular Meetings 2024*, which is attached to this resolution, incorporated herein by reference, and made a part hereof, is adopted pursuant to § 4.3.1 of the TAA Bylaws. The TAA Clerk is directed to post the notice in compliance with A.R.S. § 38-431.02(F).
- 2025 TAA ANNUAL MEETING: Pursuant to § 3.1 (ANNUAL MEETING) of the TAA Bylaws, the Board of Directors hereby sets the date of the 2025 TAA Annual Meeting to be Monday, January 27, 2025. The means, time, and place of the Annual Meeting shall be determined by TAA staff in consultation with the Chair of the Board and as reflected in the notice of the Annual Meeting.
- 3. **INITIAL MEETING OF THE 2025 BOARD OF DIRECTORS:** Pursuant to § 4.3.1 (REGULAR MEETINGS) of the TAA Bylaws, the first meeting of the 2025 Board of Directors shall be held following the 2025 TAA Annual Meeting on Monday, January 27, 2025, at the venue of the Annual Meeting or by means as determined necessary by TAA staff in consultation with the Chair of the Board.

PASSED AND ADOPTED by the Board of Directors of the Tucson Airport Authority, Inc., this twenty-second day of January, 2024.

	Keri Silvyn, Chair of the Board
ATTEST:	APPROVED AS TO FORM:
Phil Swaim, Secretary	Christopher Schmaltz, Executive Vice President and General Counsel



NOTICE OF REGULAR MEETINGS OF THE TUCSON AIRPORT AUTHORITY BOARD OF DIRECTORS

Pursuant to A.R.S. § 38-431.02(F), notice is hereby given to the members of the Tucson Airport Authority (TAA) Board of Directors and to the general public that the Board of Directors will hold regular meetings in 2024 <u>beginning at 3:00 p.m.</u> on the first Wednesday of the months listed below. Attendees have the option to attend each meeting in person, virtually, or telephonically.

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

Virtual/Telephonic: Members of the public interested in observing the proceedings may do so through Microsoft Teams. A form to register for the meeting will be posted on the TAA website one week prior at https://www.flytucson.com/taa/meetings/.

Monday, January 22, 2024	Wednesday, September 4, 2024
Wednesday, March 6, 2024	Wednesday, November 6, 2024
Wednesday, April 3, 2024	Wednesday, December 4, 2024
Wednesday, June 5, 2024	

A copy of the agenda for the meeting will be available on the TAA website (https://www.flytucson.com/taa/meetings/) and the public notices display board—located adjacent to the TAA Board Room—no later than twenty-four (24) hours in advance of the meeting.

Dated this twenty-second day of January, 2024.

TUCSON AIRPORT AUTHORITY BOARD OF DIRECTORS
By:
Byron Jones, TAA Clerk
Office: (520) 573-4822
Email: bjones@flytucson.com





Date: January 22, 2024

To: Board of Directors

From: John Voorhees, Vice President/Chief Revenue Officer

Re: Request to Extend the Rental Car Month-to-Month Contracts

Background:

The current TUS airport rental car contracts are on a month-to-month term and will expire on January 31, 2024 ("MTM Agreement"). 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 and successful bidders were identified by the TAA selection committee for the award of contracts to provide Rental Car Concession services at Tucson International Airport. The TAA Board adopted Resolution 2023-21 to authorize the President/CEO to execute the new Rental Car contracts.

The rental car companies have requested an extension to the MTM Agreement to allow sufficient time for the transition to a new agreement and to facilitate smoother logistical processes associated with physical relocation of the companies at the airport. There are a few actions which must be taken in sequence during this transition.

First, an inspection took place to determine the tenant and TAA maintenance responsibilities to close out the expiring contracts. This was accomplished last month. Next, SIXT Rental Car company outbid Alamo Car Rental to earn a position in the airport Rent-A-Car Center (RAC). Alamo will vacate the RAC and become an off-airport rental car operator. Finally, the remaining RAC rental car companies will select their desired RAC positions based on the priority of their bid. Once these steps are complete, the RAC companies may vacate and move to their new locations.

Strategic Plan | Analysis:

This action supports the strategic initiative to Expand Prosperity. The moving process for Alamo Car Rental has taken longer than expected. Neither the TAA staff nor the RAC companies desire the disruption of moving to impact the Holiday travel season or the Gem Show traffic. Extending the MTM Agreement will mitigate the potential negative impacts to the TAA's revenue stream and our customer experience as it will provide more time for an overall smoother transition process.

Cost Analysis:

There is no change to the financial terms of the MTM Agreement.

Recommendation:

Adopt Resolution No. 2024-03 authorizing the President/CEO or her designee(s) to extend the current month-to-month Rental Car contracts by an additional four months to May 31, 2024.



Attachments:

Resolution No. 2024-03



A RESOLUTION OF THE BOARD OF DIRECTORS OF THE TUCSON AIRPORT AUTHORITY, INC., AUTHORIZING THE PRESIDENT/CEO OR HER DESIGNEE(S) TO EXTEND THE CURRENT MONTH-TO-MONTH RENTAL CAR CONTRACTS BY AN ADDITIONAL FOUR MONTHS TO MAY 31, 2024.

WHEREAS the Board of Directors authorized the President/CEO to execute new five-year concessions contracts with certain concessionaires to provide rental car services at Tucson International Airport (TUS), as memorialized in Resolution No. 2023-21, adopted November 1, 2023; and

WHEREAS the concessionaires have requested an extension of the current month-to-month agreement to allow additional time to implement the logistical changes necessary to work under the new contract as identified in the Board Memorandum; and

WHEREAS accomplishing the transition with as minimal impact as possible to the traveling public enhances TUS's reputation in the community and supports the Tucson Airport Authority's strategic goal of expanding prosperity.

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

The President/CEO or her designee(s) is authorized to extend the current month-to-month rental car contracts with all rental car concessionaires by an additional four months, to May 31, 2024.

PASSED AND ADOPTED by the Board of Directors of the Tucson Airport Authority, Inc., this twenty-second day of January, 2024.

	Keri Silvyn, Chair of the Board
ATTEST:	APPROVED AS TO FORM:
Phil Swaim, Secretary	Christopher Schmaltz, Executive Vice President and General Counsel



A RESOLUTION OF THE BOARD OF DIRECTORS OF THE TUCSON AIRPORT AUTHORITY, INC., APPROVING APPOINTMENTS TO CERTAIN TAA ADVISORY COUNCILS.

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

The Chair of the Board's new appointments to the TAA's Advisory Councils, attached to this resolution and incorporated herein by reference, are approved for the specified terms for the new appointments.

PASSED AND ADOPTED by the Board of Directors of the Tucson Airport Authority, Inc., this twenty-second day of January, 2024.

	Keri Silvyn, Chair of the Board
ATTEST:	APPROVED AS TO FORM:
Phil Swaim, Secretary	Christopher Schmaltz, Executive Vice



Tucson Airport Authority Advisory Councils

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

Audit Council

The objective of this council, pursuant to the Board-adopted Audit Council Policy, is to advise the TAA Board of Directors in fulfilling its oversight responsibility for the integrity of TAA's financial and operating results, compliance with legal and regulatory requirements related to financial reporting, and the performance of TAA's internal audit function and external auditors. The Audit Council has authority to conduct or authorize special audits and investigations into any matters within its scope of responsibility.

	Term Start Date	Term End Date
David Smallhouse, Chair*	April 6, 2022	April 5, 2024
Taunya Villicaña, Vice Chair**	April 6, 2022	April 5, 2024
David Lyons	April 6, 2022	April 5, 2024
John Parker	April 6, 2022	April 5, 2024
Isaac Figueroa	April 6, 2022	April 5, 2024
Cristina Baena	April 6, 2022	April 5, 2024
Nancy McClure**	January 22, 2024	January 25, 2026

^{*}Active Membership extended to coincide with end of term date on advisory council.

Corporate Governance Council

The objective of this council is to advise the TAA Board of Directors in fulfilling its oversight responsibility regarding corporate governance, including Board and Membership duties, policies, and practices; TAA Articles of Incorporation; Bylaws; and other significant policies.

	Term Start Date	Term End Date	
Todd Jackson, Chair	April 6, 2022	April 5, 2024	
David Hameroff, Vice Chair	April 6, 2022	April 5, 2024	
Michael Duran	April 6, 2022	April 5, 2024	
Larry Lang	April 6, 2022	April 5, 2024	
Francis Chambers	April 6, 2022	April 5, 2024	
Tim Medcoff	April 6, 2022	April 5, 2024	
Trindy LeForge	April 6, 2022	April 5, 2024	

^{**}Pending Board approval.



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

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

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

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

^{*}Active Membership extended to coincide with end of term date on advisory council.

Nominating Council

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

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

	Term Start Date	Term End Date	Bylaw Requirement	
Lisa Lovallo, Chair	April 6, 2022	April 5, 2024	Former director	
Brandt Hazen, Vice Chair**	January 23, 2023	January 26, 2025	Member	
Taunya Villicaña	June 14, 2023	April 5, 2024	Former director	
Phil Swaim	April 6, 2022	April 5, 2024	Current director	
Rhonda Piña	January 23, 2023	January 26, 2025	Current director	
Carol Stewart	January 23, 2023	January 26, 2025	Member	
<mark>Shaima Namazifard**</mark>	January 22, 2024	January 25, 2026	Member	

^{**}Pending Board approval.





Date: January 22, 2024

To: Board of Directors

From: Bruce Goetz, Executive Vice President/COO

Re: TAA Strategic Plan 2.1 | Period Ending December 31, 2023

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

The attached report provides full detail of the progress made for the months of October through December; however, I want to highlight a few specific items since our last report at the September Board meeting.

1. Accelerate Performance

- a. The Director Development Program is nearly complete with key areas being taught including Financial Management, Emotional Intelligence, Influence, Project Management, Systems Thinking and Unconscious Bias. Additionally, eleven Adaptive Leadership sessions have been held for leaders.
- b. Annualized attrition is down 2% month over month since August. We continue to implement retention strategies to ensure we are competitive in the job market.
- c. Work is underway to replace an antiquated payroll system to include a new Human Resources Information System (HRIS). Vendor interviews are underway, and we anticipate selecting a vendor in the first quarter of 2024.

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: The TAA has identified the best proposer for a large-scale solar array on this property and is currently working on business terms with the company. Pending Board approval, TAA will move forward with the required FAA vetting process.
- b. Sonora North/Country Club: The TAA is awaiting a development concept from Schnitzer, a development company, for submission to the FAA for their review and consideration. If Schnitzer does not provide this information soon, the TAA will begin negotiations with other interested parties.
- c. Airline Use Agreement (AUA): The TAA is having discussions with the airlines on a modernized AUA. This process is complicated and time consuming as there are 30+ years of terms to sort through and determine what will carry forward into the new agreement. To ensure the dialogue is on a continuous cycle, beginning February we will hold twice monthly meetings.



3. Upgrade to First Class Systems and Efficiencies

- a. Sustainability: Work is underway to develop goals and initiatives. Estimated completion of the study is now Q3FY24.
- b. Technology: Work has started on several important technology upgrades that were funded in the FY24 budget. Those include a new lightning detection system, Payroll system and Common Use Gating system for the airlines.
- 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 for the new TSA mandated Cyber Security Directive. The TSA recently completed their assessment of TAA plans in December and provided us with very favorable remarks. Final Cybersecurity plans are due to the TSA in January. In addition, the FY24 budget included funding for additional Cyber Security measures which will be implemented soon.

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 and frequencies from Alaska Airlines include Orange County, CA (SNA), Everett Paine Field, WA (PAE) and Portland, OR (PDX) have begun. Additionally, Southwest Airlines added capacity with flights to Chicago Midway and Dallas Love Field. The TAA is having discussions with the airlines about additional flights to markets in both Mexico and Canada.
- b. Advocacy Planning: The Advocacy Plan and Advocacy Points will be updated as necessary and communicated in Member Advisories and on the Board Portal. We are developing a Speaker Series for our Membership in 2024 to empower Members to share ways to advocate for TUS in the local community.



Accelerate Performance

Goal	Owner	Q3 '23	Q4 '23	Q1 '24	Q2 '24	Q3 '34	Status	Board Update		
Leverage and Implement the TAA Learning Strategy	Twyla Salaiz						On Track	NEW Twyla Salaiz: The DDP (Director Development Program) is in the final phase. A focus of the program is Adaptive Leadership with 11 Adaptive Leadership sessions completed by all participants. For the close out of the DDP, Directors will present their Adaptive Leadership Challenge to the Executive Team reporting out on the challenge, what was learned, and what was applied. Looking at 2024, the		
								program will be repeated with new Directors joining as well as "up and coming" talent identified within the Succession Talent Review. The TAA Learning Strategy is completed and approved including the addition of a Learning Committee. This group representing all divisions will align on organizational learning for both courses and delivery approach.		
Increase Efficiency of People Operations Talent Process	Twyla Salaiz						On Track	NEW Twyla Salaiz: The People Operations team continues to create new and modify existing processes to gain efficiencies for the team and the employees we service. Currently, we are		
								identifying a combined Payroll/HRIS system that will pull in 7 systems under 1-2 systems with increased capability and reduced cost. We anticipate a decision by Q2 and implementation in late Q2 to early Q3.		
Evaluate Causes of Attrition and Implement Retention Strategies	Twyla Salaiz						On Track	NEW Twyla Salaiz: TAA annualized attrition has been on a steady decline since August. While it is in 2% increments, this is based off a year look back and indicates a steady decline		
								month over month. We continue to implement the retention strategies, including expanded surveying in the onboarding and exiting processes. We are also actively retaining critical talent through expanded responsibilities and wage increases where appropriate.		
TAA is a "Great Place To Work"	Twyla Salaiz		ļ				On Track	NEW Twyla Salaiz: The Employee Engagement Survey has been reviewed by		
								the Executive Team and senior leaders. In response to major themes, actions are being identified by the Executive Team. In addition, feedback has beer gathered from senior leaders from across the TAA Overall, there was high participation and the survey information indicated employees feel value working a the TAA and the majority plan to stay.		

Period Ending 12/31/2023

Expand Prosperity

Goal	Owner	Q3 '23	Q4 '23	Q1 '24	Q2 '24	Q3 '34	Status	Board Update	
Commercial Development Plan and Marketing	John Voorhees							NEW John Voorhees: BCD and Picor have brought multiple clients to the TAA. BCD has leased a building that had been vacant for nearly 13 months. BCD is negotiating the lease of a cargo facility that had been vacant for several years. Delaware North has begun its mid-tour	
							On Track	refurbishment. Increased sales will yield a six-figure revenue boost to TAA. TAA has negotiated new Rental Car contracts which will yield a seven-figure increase in revenue to TAA. Rezoning – Million Air and Atlantic Aviation will take advantage of the pending rezoning of the airport environment to Industrial from Mixed Use. The rezoning effort will also permit the development of TAA property along Valencia Road.	
Shovel Ready Infrastructure (both TAA land and our utility and community partners)	John Voorhees						On Track	NEW John Voorhees: Sonora North - VP/CRO has provided a final opportunity to Schnitzer Properties to provide drawings for site development to be submitted to the FAA (for the Environmental Assessment) or lose right of first refusal. BCD is looking for other interested parties to develop the land. Sonora East - 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. A secondary effort has been to interest the developers to	
								advocate for the expansion/extension of Alvernon Way into SR-210 to connect to the proposed Sonoran Corridor. There is significant community interest. Sonora West – TAA has successfully negotiated TEP's broader search area for the electrical transmission line project. This will facilitate greater flexibility to bring a rail spur into the area, if needed. There are three parties interested in the Sonora West land. BCD has engaged all parties and is awaiting a commitment.	



Expand Prosperity

Goal	Owner	Q3 '23	Q4 '23	Q1 '24	Q2 '24	Q3 '34	Status	Board Update
Shovel Ready Infrastructure (both TAA land and our utility and community partners) Continued	John Voorhees						On Track	Sonora South - Project Lasso terms have been sent to the highest scoring company for their consideration. Pending negotiation of terms and Board approval, TAA will move forward with the required 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. Airside - In January, TAA will host a site selection for an EV aircraft manufacturing company. The company desires to construct 350K SF of building space. Country Club Road extension project nears completion of the FAA-mandated environmental assessment.
Negotiate Airline Use Agreement	Austin Wright						On Track	NEW Austin Wright: The TAA has executed a one-year extension with the airlines (effective October 1, 2024). Work is beginning on the review of existing terms and modernization of the new Airline Use Agreement. The TAA and airlines began discussions on November 3, 2024, and have planned for twice monthly meetings in 2024 to bring the parties closer to agreement for a modernized 10-year Residual AUA. While our desire is to execute a new 10-year agreement beginning in FY25, the timing depends on the airlines,
Expand Air Service Development Options	Austin Wright						On Track	NEW Austin Wright: 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. At the end of the CY23, TUS had 64 peak daily departures (up 10 flights per day from CY22).

TAA QUARTERLY BOARD REPORT 2023

Period Ending 12/31/2023

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	NEW Ken Nichols: This item is behind schedule due to staffing challenges, limited band width of existing staff, and heightened focus on the Airfield Safety Enhancement Program. Development of the Sustainability Management Plan is now in progress. Goals and initiatives are being developed by the internal working group. More meetings are scheduled for January. The end date for completion is now estimated as Q3 FY24.
Scope Enterprise Documentation Strategy	Bruce Goetz						Behind	NEW Bruce Goetz: 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: Phase 1: Converting all users to Microsoft OneDrive – complete Converting and cleaning up departmental share drives and moving to backend SharePoint – Scheduled to take place in March. Phase 2: 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 The impacts of the TSA Cybersecurity mandates required the diversion of resources, which resulted in a pause of this work effort (the IT department has not had an opportunity to start Phase 2). We anticipate this work to begin near the end of 2024 or early 2025.
TAA Cyber Security Program	Bruce Goetz						On Track	NEW Bruce Goetz: As we continue to enhance our Cybersecurity posture and adhere to TSA mandates, the IT department has made the following progress: Governance: TSA Assessment – in progress and ongoing Cybersecurity Incident Response Plan - complete TAA/TSA/CISA Cyber Incident Reporting Policy – complete Technology Room Access Policy - complete Cyber Risk Assessment Policy – Final review MFA/Zero Trust – in testing phase Critical System(s) Identification – complete Least Privileged Access to critical systems – in testing phase



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	Projects: Firewall Replacement – Complete Hybrid Data Center – Dec '23 completion. Microsoft Teams Voice – Mar '24 Multi Factor Authentication (MFA) – Jan '24
Establish a Technology Roadmap to Meet all Stakeholder Needs	Bruce Goetz						On Track	The IT department has completed a 5-year strategic IT Plan. This Plan encompasses: Capital projects Technology Lifecycle Replacement Enterprise Software Systems The IT department has had discussions with other TAA departments to provide input based on their needs. Numerous projects identified in the 5-year IT Plan have been included in the FY24 budget and are as follows: New ERP System. New Payroll System – Vendor interviews underway. Common Use Gate Management System – Vendor selected. Installation in May '24 Replacement of Access Control System – Scoping underway. Parking and Revenue Control System – Contracting complete and installation begins in January. Lightning Control System – Vendor selected. Installation in May 2024. Airport Management System – Scoping to begin in March 2024.

Period Ending 12/31/2023

Create External Champions

Goal	Owner	Q3 '23	Q4 '23	Q1 '24	Q2 '24	Q3 '34	Status	Board Update
Determine and Activate a Community Value Proposition Based on Community Survey Results	Austin Wright						On Track	We continue to evolve the marketing strategy to align with the Community Value Proposition (CVP) to highlight the ease of use at TUS. We have effectively integrated refreshed messaging into our 'Nonstop' marketing campaign to communicate 'Nonstop for Easy Travel.' In addition, we have launched a new television commercial, a new radio commercial (updated quarterly to highlight new destinations) and entered a partnership with University of Arizona Athletics to reach the U of A community. 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 and evolving our marketing strategy.
Continue Outreach and Partnerships within the Tourism Sector	Austin Wright						On Track	NEW Austin Wright: 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. Visit Tucson is allocating \$100,000 dollars to help market Tucson in 5 key air service cities for the TAA. These funds will help support awareness about TUS in cities that either have new nonstop routes, or increased frequency. Felipe Garcia (Visit Tucson CEO) will accompany our Air Service team on multiple air service visits in 2024. In addition, the TAA continues to maintain community partnership with local organizations like the Tucson Roadrunners hockey and University of Arizona Athletics. TUS will be the key sponsor of beach night in January to highlight our new nonstop beach service to Orange County. In addition, TUS is on the ice as a logo sponsor. 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.
Identify and Cultivate Member Value Proposition with an Accompanying Advocacy Plan for Membership Engagement Opportunities	Austin Wright						On Track	NEW Austin Wright: The Marketing team, in collaboration with the CEO, finalized the initial Member Advocacy Plan in 2023. The Advocacy Plan and Advocacy Points will be updated as necessary and communicated in Member Advisories and on the Board Portal. We are developing a Speaker Series for our Membership in 2024 to empower Members to share ways to advocate for TUS in the local community.

Office of Airport Compliance and Management Analysis

800 Independence Ave., SW. Washington, DC 20591

December 5, 2023

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

Re: Transmittal of Final Financial Compliance Report

Dear Ms. Bewley:

Thank for your August 28, 2023, response to the Federal Aviation Administration's (FAA) draft compliance review report of the Tucson International Airport (TUS) and Tucson Airport Authority (TAA), airport sponsor and operator of TUS. We appreciate your letter recognizing TAA's full commitment to address recommendations proposed by the FAA's Office of Airport Compliance and Management Analysis (ACO) during the January 23 – January 26, 2023, financial compliance review.

The draft report recommendation, TUS's response and the FAA's final response are as follows:

FAA Form 126 and 127 Operating and Financial Summary

FAA Recommendation: The FAA recommends that the CATS Form 5100 -127 be adjusted to the actual amounts presented in their audited financial statements for the period of FY 2016 – 2021 and subsequent years. Line 9.3 Nets Assets, Ending Balance should be corrected to the amounts presented in Row Corrected 9.3 Ending Balances of Table A above.

TAA Response: TAA fully agrees with your conclusion and recommendations. TAA's Audited Financial Statements were restated in 2017/2018/2019, but the CATS forms were not updated at that time. We have now corrected this error. We have updated all CATS Forms 5100-127 for periods between FY 2016-2021 to reflect TAA's Audited Financial Statements as requested. Should restatements occur in the future, we will update our CATS Forms 5100-127 immediately following release of the updated Financial Statements.

Airport Financial Transactions and Payments

\$20,000 payment to Southern Arizona Leadership Council (SALC)

FAA Recommendation: Our recommendations for TAA are as follows:

- 1. TAA should revisit its Member/Director Conflict of Interest Policy to ensure that any conflicts of interest that may arise due to TAA's Chief Executive Officer (CEO) serving on the board of SALC are adequately addressed.
- 2. Consider alternatives: TAA should consider alternative organizations or partnerships that can provide similar benefits without conflicts of interest. This review should include an analysis of the benefits, costs, and risks associated with each alternative.
- 3. Ensure transparency: TAA should ensure that its membership in the SALC and the conflicts of interest are disclosed in its annual reports and other public disclosures. This transparency will help to build trust and maintain the confidence of stakeholders.

TAA Response: TAA welcomes the feedback in the draft Report on the TAA- SALC arrangement. We appreciate the draft Report's conclusion not to question the legitimacy of the expense, and we wholeheartedly agree on the attention that must be given to potential conflicts of interest.

Generally, the missions of TAA and SALC are fully aligned. As noted in the draft Report, TAA's President and CEO serves on the SALC Board of Directors. Having her be part of helping to direct the mission and policy positions of SALC has direct benefits to TAA and its mission.

TAA's President and CEO, and other members of the TAA Board of Directors who also serve on the SALC Board, are keenly aware of the potential for conflicts of interest on any policy position that SALC might take that is contrary to TAA's interests. TAA's Vice President and General Counsel conducts annual conflict of interest training for all Board members and the President and CEO also receives that training at the Board meeting. The TAA Conflict of Interest form and the Board's Conflict of Interest Policy make very clear that Members must be sensitive to potential conflicts of interest, they must disclose those potential conflicts and they must not, under any circumstance, participate in any action that might be in conflict with TAA's interests.

Participation in SALC has direct benefits to TAA, however TAA will remain vigilant in its assessment of SALC actions and policy positions that might be contrary to TAA's interests. If SALC acts or generally takes positions that are a conflict to TAA's interests, TAA will, of course, reevaluate any benefits to TAA in membership and if necessary, cease to contribute its funds to that organization.

TAA is transparent about these concerns and regularly communicates with its members on this issue. TAA will examine its conflict-of-interest policies to ensure that they adequately address the potential for conflicts of interest in the metro Tucson community involving TAA and other organizations here. If changes or clarifications are deemed necessary, TAA will make them. TAA will examine its annual reporting to determine if any additional potential conflicts disclosures are necessary to further its commitment to transparency.

\$62,500 quarterly payment to Sun Corridor Inc.

FAA Recommendation: We recommend TAA take the following actions:

- 1. Address conflicts of interest: The conflicts of interest between TAA's Chairwoman of the Board and Sun Corridor should be addressed. This could include ensuring that the Chairwoman recuses herself from any decisions related to Sun Corridor or implementing other measures to avoid any perceived conflicts of interest.
- Consider alternative economic development partners: TAA should consider alternative
 economic development partners if Sun Corridor is not producing any results. It may be
 beneficial to research and evaluate other economic development partners that could
 provide more successful outcomes.
- 3. Re-evaluate the payment structure: The payment structure between TAA and Sun Corridor should be re-evaluated to ensure that TAA is getting value for its investment. This could include adjusting the payment structure to be more performance-based or implementing other measures to ensure that Sun Corridor is accountable for its services.
- 4. Consider an as-needed basis approach: Consider Sun Corridor's service as-needed basis instead of through a fixed-term contract. It would provide more flexibility for TAA to work with other economic development partners if necessary.
- 5. Consider performing economic development in-house: TAA already has a staff member dedicated to identifying business opportunities and promoting economic development. Bringing these services in-house could provide TAA with greater control and flexibility over the process, as well as potential cost savings. Additionally, building internal expertise in economic development could be valuable in the long run. However, the decision to perform economic development services in-house or hire an external partner like Sun Corridor should be based on a thorough analysis of TAA's specific needs and priorities, as well as an assessment of the costs and benefits associated with each approach.

TAA Response: TAA's relationship with Sun Corridor is much like its relationship with SALC with, as you have noted, the addition of monies paid by TAA to Sun Corridor for economic development services directly intended to benefit TAA. TAA is both a member of Sun Corridor and a client of Sun Corridor. There are benefits to TAA in both categories.

As you recognize, economic development efforts directly focused on improving the revenue mix for TAA's airport system is a legitimate O&M expenditure for TAA. As we noted to the FAA team during their visit, the lack of tangible projects on TAA property as a result of the Sun Corridor contract has been disappointing, but not every O&M expenditure has (or is required to have) a clear return on investment.

Like SALC, similar potential conflicts of interest concerns exist with Sun Corridor. The nature of the metro Tucson community is such that there is significant cross pollination among business and public policy groups here. That reality reinforces the need for the regular training we provide to our Board members on recognizing and disclosing potential conflicts. Our Vice

President and General Counsel is consistent in reminding our Board and TAA Members of the importance of being sensitive to these potential conflicts.

Sun Corridor is often recognized as the main provider of private economic development support here in metro Tucson, and that is generally the case for large scale economic development efforts. However, TAA is committed to exploring all options in terms of improving the return on investment with economic development partners who may be an alternative. TAA will evaluate whether it is in TAA's interest to competitively select an economic development partner — it may still be that Sun Corridor, with all the benefits that it brings to TAA, will be the partner that will give TAA the best opportunity for economic development growth for the TAA airport system. We don't know what we don't know however, so TAA will pursue more knowledge intended to produce better results.

Regardless of who may be our economic development support, any agreed upon pay structure will be more focused on measurable deliverables and value to TAA. No such operation can guarantee a positive return on investment; however, the scope of work with a partner can better articulate the measurable deliverables TAA expects from such a partner. TAA will make sure that any contract we enter into will have a scope optimized to produce such improved results. As the draft Report notes, we are currently closely examining our specific needs and priorities, and the costs and benefits associated with our economic development efforts. The results of that internal examination will drive decisions we make in this area going forward.

FAA's Response: After thoroughly reviewing TAA's Corrective Action Plan (CAP) concerning the recommendations in the draft report, the FAA is pleased to confirm that these matters are now considered closed. However, should TAA decide to make any modifications to the outlined corrective actions, TAA should notify the FAA immediately. In such cases, please be aware that the FAA reserves the right to re-open the recommendation until it is satisfactorily resolved/corrected.

The FAA would like to express our gratitude for the clarification provided regarding the handling of 911 calls in the TUS and Ryan Field areas, which are managed by TAA's Airport Communication Center (ACC), responsible for dispatching TAA Police. This information is valuable for our understanding and coordination efforts.

Furthermore, we commend TAA for its proactive approach in promptly completing and sharing a clear and updated disposal policy for the art program. This demonstrates a commitment to compliance and best practices, aligning with our shared goal of ensuring safe and efficient operations.

We express our gratitude for your cooperation and commitment to effectively addressing these recommendations. Our appreciation extends to you, your team, and other city officials for promptly providing the FAA with the necessary responses to our recommendations. As a result of your responsiveness and efforts, we are pleased to announce that all matters are now considered closed. We will proceed with the publication of the final audit report on financial

compliance review. Once again, thank you for your collaboration and dedication to achieving a successful resolution. Should you have any further questions, please contact Olu Okegbenro, Lead Financial Management Analyst at (202) 267-9605.

Sincerely,

KEVIN WILLIS
Date: 2023.12.05 12:56:17
-05'00'

Kevin C. Willis Director, Office of Airport Compliance and Management Analysis

Enclosure

cc: Mark McClardy (AWP)

Federal Aviation Administration Office of Airports Compliance and Management Analysis Financial Compliance Review – Draft Report

TUCSON INTERNATIONAL AIRPORT January 23, 2023 – January 26, 2023



Federal Aviation Administration Office of Airports Compliance and Management Analysis Draft Financial Compliance Review

The Federal Aviation Administration (FAA), Office of Compliance and Management Analysis (ACO), conducted a financial compliance review at the Tucson International Airport (TUS) to evaluate compliance with Federal statutes and FAA requirements. The FAA conducted this review at TUS and the Tucson Airport Authority (TAA) offices from January 23, 2023 – January 27, 2023.

As the airport sponsor, TAA manages TUS and is responsible for ensuring compliance with Federal statutes, the Airport Improvement Program (AIP) Grant Assurances, and FAA policies for federally obligated airports. Airport sponsors agree to certain obligations when they accept Federal grant funds or Federal property transfers for airport purposes. The FAA enforces these obligations through its Airport Compliance Program. The ACO conducts a financial compliance review of selected airports each fiscal year.

Unlawful revenue diversion, as defined in section II, C of the *Policy Concerning the Use of Airport Revenue* (Revenue Use Policy) 64 Fed. Reg. 7697 (Feb 16, 1999), as "the use of airport revenue for purposes other than the capital or operating costs of the airport, the local airport system, or other local facilities owned or operated by the airport owner or operator and directly and substantially related to air transportation or property." The ACO is responsible for ensuring that airports adhere to AIP Grant Assurances and the FAA's Revenue Use Policy.

We reviewed the following financial topics at TUS:

- Form 126 & 127 Reporting
- Leases and Agreements
- Fire Fighting (ARFF)
- Advertising and Incentives
- Financial Transactions and Payments
- Art in Public Places
- Police and Security Services
- Noise Land Program
- Fleet Services

Financial Data Reported to FAA

FAA Form 126 and 127 Operating and Financial Summary

Section 111 of the Federal Aviation Administration Authorization (FAA) Act of 1994, Public Law 103-305 (August 23, 1994) established the requirement for commercial service airports to file financial reports with the FAA. These reports are the Financial Government Payment Report, Form 5100-126, and the Operating Financial Summary, Form 5100-127. Congress enacted the reporting requirements to inform the public about how airports collect and disburse funds and to provide the FAA with a means of evaluating sponsor compliance with revenue use requirements. Form 5100-126 reports the financial transactions between the Airport and other governmental entities and all services and property provided to such units. Form 5100-127 reports Airport financial operating results.

The FAA attempted to reconcile the information reported on both forms with the sponsor's FY 2021 and 2020 Annual Comprehensive Financial Reports (ACFR). However, the FAA found the information presented in the sponsor's Form 5100-127 did not reconcile to the FY 2021 & 2020 ACFR. The sponsor had not updated the financial information to reflect the audited financial reports and had made data entry errors in the *9.0 Net Assets* section of the CATS Form 5100-127. Table A presents the differences between amounts reported in the CATS Form 5100-127 and the corresponding ACFR's for the fiscal years 2021 and 2020 and incorrect calculations.

Line 9.1 *Change in Net Assets* between the FY 2021 ACFR and the Form 5100-127 reflects a net loss of \$3,196,156 which is -20.62% of the audited Net Asset. The FAA considers this to be a material variance, and the Form 5100-127 should be adjusted to prevent misleading data from being presented to the public. The variances encountered between the FY 2020 ACFR and Forms 5100-127 for the determination of the line 9.1 *Change in Net Assets* were immaterial. However, the beginning balances of the Net Assets (Line 9.2) of the FY 2020 ACFR and Form 5100-127 varied by (\$383,472) with the ending balance for Net Assets (Line 9.3) in the FAA financial reporting system (CATS) somehow agreeing with that as reported in the FY 2020 ACFR.

Table A	FY 2021	FY 2021	Difference	FY 2020	FY 2020	Difference
	Form 5100-	ACFR		Form 5100-	ACFR	
	127			127		
9.1 Change in	\$18,699,571	\$15,503,415	(3,196,156)	\$27,844,131	\$27,844,111	(20)
Net Assets						
9.2 Net Assets	423,861,783	423,861,783	0	396,401,144	396,017,672	(383,472)
(deficit),						
Beginning						
9.3 Net Assets	\$439,365,198	\$439,365,198	0	\$423,861,783	\$423,861,783	0
(deficit), Ending						
Balance						
Corrected 9.3	\$442,561,354	\$439,365,198	(3,196,156)	\$424,245,275	\$423,861,783	(413,492)
Ending Balances						

Advisory Circular 150/5100-19D *Guide for Airport Financial Reports Filed by Airport Sponsors* (June 23, 2011) advises that the FAA Authorization Act of 1994 doesn't require audited information, but the FAA prefers audited data. CATS allows sponsors to update financial data at any time. The FAA recommends that TUS adjust Form 5100-127 to the amounts presented in the actual audited financial statements.

During our financial review, we discovered that a payment of \$110,333.08 made to the FAA was not reported on FY 2021 Form 5100-126. TAA's accounting staff informed us that the payment was a reimbursement to the FAA for construction work, and they were unaware that it needed to be reported on Form 126.

We provided TAA's accounting staff with a copy of Advisory Circular No. 150/5100-19D to show the instructions for filing Form 126. After reviewing the circular, TAA's accounting staff updated Form 126 accordingly and provided a copy of the revised Form 126 to the FAA compliance staff. Also, the FAA was able to reconcile the amounts reported on TAA's Form 127 to TAA's financial statements.

Conclusion: The FAA recommends that the CATS Form 5100-127 be adjusted to the actual amounts presented in their audited financial statements for the period of FY 2016 – 2021 and subsequent years. Line 9.3 Nets Assets, Ending Balance should be corrected to the amounts presented in Row Corrected 9.3 Ending Balances of Table A above.

Single Audit Report Finding

2 CFR Part §200.511 states the auditee is responsible for follow-up and corrective action of all findings. In addition, the auditee must prepare a corrective action plan (CAP) in accordance with §200.511. At the completion of the audit, the auditee must prepare, in a document separate from the auditor's findings described in §200.516, a corrective action plan to address each audit finding included in the current year auditor's reports.

In TAA's 2021 Single Audit Report, a finding of material weakness was identified, due to grant revenue being reported in the wrong period. The auditor discovered that the COVID-19 grant funding was recorded when drawdowns occurred, causing it to be misreported in respective periods on both the financial statements and the schedule of expenditures of Federal awards. Noting this misreporting could have been avoided had TAA staff followed proper revenue recognition procedures, a CAP was established.

We conducted a follow-up on the implementation status of TAA's CAP for this material weakness finding. TAA reported that an internal meeting was held to educate accounting staff on the proper evaluation of new revenue funding streams to ensure accurate reporting of revenue. We recommended that TAA develop written policies and procedures for recognizing expenses on the Schedule of Expenditure of Federal Awards to avoid future errors. A written policy was developed and provided to the FAA financial compliance staff onsite.

Conclusion: Issue resolved. No follow-up is required.

Airport Financial Transactions and Payments

To assess compliance of TAA's expenditures with the FAA's *Revenue Use Policy*, we interviewed finance department staff to understand their accounting practices. We judgmentally selected 76 accounting transactions to determine if these expenditures were allowable, allocable, and reasonable under the *Revenue Use Policy*. Finally, we randomly selected five service agreements with related lobby activities, government relations, and public communications to determine if the scope of work in these agreements was related to airport operations. During our evaluation of the transactions, we identified four exceptions. TAA provided additional information and explanations, which allowed us to resolve two of the exceptions. However, the other two exceptions remained unresolved and are described below.

\$20,000 Payment to Southern Arizona Leadership Council (SALC)

TAA paid \$20,000 for its 2020 SALC Annual Membership dues. According to TAA:

SALC is important to TAA because it focuses on infrastructure and relationships that benefit the airport system. SALC's influence has a direct impact on public policy and infrastructure spending at all levels of government. SALC helps prioritize transportation projects that benefit the airport system, and TAA's membership in SALC is a key pathway to influence state budget priorities. TAA's membership sometimes pays direct dividends back to membership.

In our research on the SALC, we found that TAA's Chief Executive Officer (CEO) is a board member of the organization. While we do not question the legitimacy of this expense, the relationship between TAA's CEO and SALC appears to be a conflict of interest. Further, we are concerned that an actual conflict of interest may exist and should be addressed.

Conclusion: Our recommendations for TAA are as follows:

- 1. TAA should revisit its Member/Director Conflict of Interest Policy to ensure that any conflicts of interest that may arise due to TAA's CEO serving on the board of SALC are adequately addressed.
- 2. Consider alternatives: TAA should consider alternative organizations or partnerships that can provide similar benefits without conflicts of interest. This review should include an analysis of the benefits, costs, and risks associated with each alternative.
- 3. Ensure transparency: TAA should ensure that its membership in the SALC and the conflicts of interest are disclosed in its annual reports and other public disclosures. This transparency will help to build trust and maintain the confidence of stakeholders.

\$62,500 Quarterly Payment to Sun Corridor Inc.

TAA entered into a three-year agreement (2018-2021) with Sun Corridor to provide economic development and consulting services to promote TAA's nonaeronautical land on the airport. Under the agreement, TAA agreed to make quarterly payments of \$62,500 (\$250,000 annually) to Sun Corridor. In July 2021, the agreement was renewed but with a reduction in Sun Corridor's annual compensation to \$175,000.

According to TAA, their relationship with Sun Corridor provides direct access to economic development expertise, benefiting TAA. TAA brings knowledge in airports and airport development, while Sun Corridor has a broad network of developers, site selectors, and economic development professionals that would take TAA a significant amount of time to develop on their own. However, Sun Corridor has not been successful in promoting any of TAA's nonaeronautical properties despite being in a business relationship since 2018. While Sun Corridor has submitted business proposals and potential clients, none of them have materialized, despite TAA investing more than a million dollars over the life of the agreements.

In addition, TAA has a staff member who is dedicated to identifying business opportunities and promoting economic development for TAA's nonaeronautical land. However, this individual does not have the same extensive network of developers and site selectors as Sun Corridor.

Finally, our research on Sun Corridor Inc. revealed that TAA's Board Chairwoman also serves as a board member of Sun Corridor Inc. While we acknowledge the legitimacy of this contractual relationship, because of Sun Corridor Inc.'s poor performance, we are concerned about conflicts of interest that may arise or already exist. This arrangement should be addressed sooner than later.

Conclusion: We recommend TAA take the following actions:

- 1. Address conflicts of interest: The conflicts of interest between TAA's Chairwoman of the Board and Sun Corridor should be addressed. This could include ensuring that the Chairwoman recuses herself from any decisions related to Sun Corridor or implementing other measures to avoid any perceived conflicts of interest.
- 2. Consider alternative economic development partners: TAA should consider alternative economic development partners if Sun Corridor is not producing any results. It may be beneficial to research and evaluate other economic development partners that could provide more successful outcomes.
- 3. Re-evaluate the payment structure: The payment structure between TAA and Sun Corridor should be re-evaluated to ensure that TAA is getting value for its investment. This could include adjusting the payment structure to be more performance-based or implementing other measures to ensure that Sun Corridor is accountable for its services.
- 4. Consider an as-needed basis approach: Consider Sun Corridor's service as-needed basis instead of through a fixed-term contract. It would provide more flexibility for TAA to work with other economic development partners if necessary.
- 5. Consider performing economic development in-house: TAA already has a staff member dedicated to identifying business opportunities and promoting economic development. Bringing these services in-house could provide TAA with greater control and flexibility over the process, as well as potential cost savings. Additionally, building internal expertise in economic development could be valuable in the long run. However, the decision to perform economic development services in-house or hire an external partner like Sun Corridor should be based on a thorough analysis of TAA's specific needs and priorities, as well as an assessment of the costs and benefits associated with each approach.

Uses of Airport Property

Background

Each federally assisted airport owner/operator is required by statute and Grant Assurances 24 and 25 to have an airport fee and rental structure that will make the airport as self-sustaining as possible and minimize the airport's reliance on Federal funds and local tax revenues. The FAA has generally interpreted the self-sustaining assurances to require airport sponsors to charge fair market value (FMV) commercial rates for nonaeronautical uses of airport property.

Leases and Agreements

The FAA received 157 commercial leases and agreements (collectively known as contracts) pertaining to the property and concessions at TUS to determine if the airport sponsor followed acceptable practices for the leasing of airport property. Of the 157 contracts, the FAA reviewed approximately 25 percent or 40 contracts.

During this review, the FAA determined that properties are appraised at either fair rental value or a FMV depending on the lease. All properties are appraised before executing a new lease or when a tenant wants to expand their leasehold. Upon an expansion request, a new appraisal is required.

All leases reviewed contained provisions for annual increases with an escalation of 3%, and the Airport or Real Estate Division approves all sub-leases, depending on the duration. The FAA found the lease program to be fairly administered. There were no indication of outside influences or political favoritism for the soliciting and awarding of leased property.

Conclusion: No follow up is required because the FAA found no irregularities with leasing and agreements at the Airport.

Aircraft Rescue and Fire Fighting (ARFF)

Aircraft Rescue and Fire Fighting (ARFF) at Index C rated TUS involves the response, hazard mitigation, and rescue, if necessary, of aircraft passengers and crew involved in an airport ground emergency. ARFF is staffed with 20 firefighters, captains, and a fire chief working 24 hours a day.

The ARFF staff do not perform off-airport runs unless there is an emergency situation. TUS has a memorandum of understanding for mutual aid with the Air National Guard and City of Tucson. TAA staff indicated that 99.99% of structural runs are handled by the City of Tucson. The City of Tucson handles all ambulance services. The patient, not TAA is billed for any services provided.

Conclusion: No follow up is required because the FAA found no irregularities with the ARFF at the Airport.

Airport Marketing, Air Carrier Incentives, and Advertising.

TAA marketing falls under the Office of Communications. The Chief Communications Officer handles marketing and air service development at TAA. TAA has 2 distinct marketing programs. Local marketing of TUS which includes commercials, bus wraps, trams, radio ads, and other tools to market TUS. They also promote and provide education on the airport at Chamber of Commerce events. The overall emphasis of the marketing is to show the benefits of using TUS.

There is also an air service development side of the program whose sole mission is to attract new entrants and ensure existing carrier meets the need for new under-served markets. TAA has an air service development consultant who has a primary responsibility to sell TUC to prospective carriers. In addition, the Office of Communications does not:

- Participate or pay for tourism marketing activities,
- Participate in any familiarization tours of the regional area, or
- Use airport revenue for regional or destination marketing

TAA encourages existing air carriers and new entrants to add new by offering the carriers incentives for the added service. TAA worked with Visit Tucson to attract Flair Airlines. Flair Airlines is currently receiving a two-year incentive package which includes a waiver of landing fees, reduced terminal rents, and a small marketing budget.

Lamar Advertising handles the billboards around the airport. The service is conducted in coordination with the TAA.

Conclusion: No follow up is required because the FAA found no irregularities with the Airport Marketing, Air Carrier Incentives, and Advertising at TAA.

Art in Public Places

Tucson Airport Authority spends \$25,000 a year on art related projects, which are part of the capital budget. Tucson Airport art program consists of two components which are directed by TAA. The permanent collections include the permanent pieces which are acquired by the airport for the terminals while the community rotating pieces are the pieces in the various Galleries at the airport. Artists are invited to submit art pieces for consideration in the community rotating pieces program. The art program has been revamped, revitalized, and refreshed old art due to damages, as well as added dozens of new art pieces in the last three years.

The airport owns more than 200 pieces of art and the airport is in the process of auditing the pieces. TAA has an insurance policy in place to cover liability for damages or theft of displayed art. No art is for sale thus no prices are displayed but, the passengers can contact the artists directly to purchase any of their art. TAA has an established art program policies and procedures but are currently working on a disposal policy.

Recommendation: The FAA recommends that TAA create a disposal policy for its art program and provide us with a copy when it becomes available.

Conclusion: No follow up is required because the FAA found no irregularities with the Airport art in public places at TAA.

Police and Law Enforcement Services

TAA has its own Police Department that was established in 1973. The department operates independently from the City of Tucson and Pima County. The Authority and Police Department are headquartered at the TUS terminal. TUS is the only airport in Arizona that has its own Police Department. There are 27 authorized sworn officers in the department. The Authority runs 3-6 officers per shift depending on the day of the week, which is dictated by Transportation Security Administration and based on the number of open checkpoints.

The airport has 14-15 non-sworn civilian police aids authorized through Arizona legislative action to handle non-emergency and non-violent crimes at the airport. Responsibilities also include: Random ID badge checks and vehicle inspections, clerical work in ID badging office handling case files, lost and found, and entering police reports into the records management system.

Off-airport policing is conducted in compliance with mutual aid agreements. If TAA Police are in transit from TUS and Ryan field and a need for law enforcement occurs, TAA would assist. 911 calls are handled by the City of Tucson Communications Centers. TUS has its own training facilities for TAA Officers, however, other Police agencies come in for training on invitation. Any VIP details are escorted to the edge of the airfield, then the City of Tucson Police take over.

Conclusion: No follow up is required because the FAA found no irregularities with the Airport Police and Security services at TAA.

Noise Land Program

TAA has a limited noise land program. Before a parcel designated as noise land is sold, TAA must establish why they don't need the property and determine FMV. This can include conducting an appraisal, determining the limits of the property, the acreage, and evaluating the remaining encumbrances. Once the parcel is sold, TAA updates the Airport Layout Plan and maintains justification as to why the property was sold. Recently Parcel H, north of Airport Blvd was sold to the City of Tucson. The funds were reinvested in other airport development projects. Parcels 31, 24, 35, and 33 are being maintained as a noise buffer. TAA also has a residential sound insulation program from homes located inside the 65DNL in progress. Noise remediation projects include the upgrading of residential doors, windows, HVAC, thicker attic insulation and sound proof dry wall. TAA maintains a noise land inventory and reuse plan however TAA stated it is not on file with the Phoenix Airports District Office.

Conclusion: FAA finds no irregularities concerning Noise Land and Noise remediation programs at TAA.

Fleet Services

Tucson Airport Authority maintains the vehicles in the airport fleet in-house. Major repairs are sent out to the respective dealerships depending on the brand in question. ARFF trucks are acquired through cooperative agreements utilizing AIP grant funds. Also, ARFF equipment repairs are done by the manufacturer or warranty vendors. Several ARFF Trucks have been purchased and tagged disposal restrictions and TAA work with the Airport District Office (ADO) on disposals. When vehicles purchased with the AIP grants are disposed, the revenue generated from such disposals are credited to the respective grants. The sales price is based on the appraisal value approved by the ADO and the disposals are conducted through a zero cost online auction. TAA fixed asset management system requires a 5-year replacement plan to ensure that the airport recovers some disposal revenue. Also, the system tracks the depreciation of vehicles in the fleet.

Conclusion: No follow up needed as our review found no issues with the fleet services at TAA.





Date: January 22, 2024

To: Board of Directors

From: John Voorhees, Vice President/Chief Revenue Officer

Re: Project Lasso-ground lease terms for the construction of a photovoltaic array

Background:

In May 2023, TAA submitted an advertisement to bid for a solar photovoltaic (PV) array development opportunity. TAA had leveraged the services of a renewable energy website business called Landgate.com. Much like a Zillow for renewable energy, Landgate.com values and advertises land that is available for development. Three companies provided bids to develop Sonora South for a PV array. Of the three bids, AES was the successful bidder.

On December 21, 2023, TAA and Ace DevCo NC, LLC (AES) agreed to terms for the ground lease of approximately 1300-acres of TAA-owned land along Old Vail Connection Road (Sonora South) for the development of a solar photovoltaic (PV) array. The agreement came after negotiations following a successful bid from the company.

AES will construct a 100MW PV array, with 50MW of storage capacity on the premises. The lease terms (Exhibit A) include a four (4) year option period, a twenty-five (25) year operational period, and two optional five (5) year extensions. During the option period AES will conduct its due diligence (glare analysis, interconnection request, environmental surveys), construct the site, and execute its power purchase agreements. AES will build on approximately 700-acres of the 1300 leased acres. Certain portions of the parcel have been set aside for the future construction of the Sonoran Corridor (State Route 410). Those portions of the land are available for a short-term lease. AES may expand their proposed leasehold to include this area during the final stages of the lease negotiation.

TAA will partner with AES to execute portions of the due diligence. Though not necessary for the project, TAA has requested AES to rezone the land for heavy industrial use – for future commercial construction.

Simultaneously, the TAA requested FAA review of the land as part of its normal environmental requirements; the FAA has determined that no federal action is required.

Strategic Plan | Analysis:

This action supports the strategic initiative to Expand Prosperity. Given the limited industrial value of the land, TAA staff considers a PV array development to be the highest and best use of the property at this time. By rezoning the land and executing the proper environmental remediation activities during the lease, the land will be well positioned for industrial



development at the end of the lease. This corresponds to the likely completion timeline of the Sonoran Corridor.

Cost Analysis:

AES initially proposed a four (4) year option payment schedule at fifty dollars (\$50) per acre for year 1, sixty dollars (\$60) per acre for year 2, seventy-five dollars (\$75) for year 3, and one-hundred dollars (\$100) for year 4. AES then proposed an annual lease rate of one-thousand-five-hundred dollars (\$1500) per acre with a one and one-half percent (1.5%) annual escalation on an initial term of twenty-five (25) years with two (2) five (5) year extensions for a total of thirty-five (35) years. However, in their proposal the annual rate was graduated every 5 years and did not equal a 1.5% escalation (Exhibit C of Exhibit A – TAA Lease Model).

TAA countered the offer with flat option payments of one-hundred-thousand dollars (\$100,000) for year 1, one-hundred-ten-thousand dollars (\$110,000) for year 2, one-hundred-twenty-thousand dollars (\$120,000) for year 3, and one-hundred-thirty-thousand dollars (\$130,000) for year 4. The operational period and extension annual lease rate retained a 1.5% annual escalation.

TAA staff proposes a tiered lease structure with the following values:

	Period	Amount
1.	4-year option period	\$ 470,000
2.	25-year operational period	\$58,622,896
3.	Two 5-year extensions	\$30,281,675
	Total Contract Value	\$89,364,571

TAA staff will partner with AES to mitigate the Riparian Habitat in Sonora South as well as to rezone the land for Heavy Industrial use. There will be a cost associated with these efforts. The exact cost is not known at this time. However, the costs will likely be recovered during the first option year. If the costs exceed the TAA President/CEO delegated authority, we will return to the Board with a requested action.

Recommendation:

Adopt Resolution No. 2024-04 authorizing the President/CEO or her designee(s) to negotiate and execute a ground lease with Ace DevCo NC, LLC (AES), in accordance with key business terms.

Attachments:

- 1. Resolution No. 2024-04
- 2. Exhibit A: Key Business Terms and exhibits



A RESOLUTION OF THE BOARD OF DIRECTORS OF THE TUCSON AIRPORT AUTHORITY, INC., AUTHORIZING THE PRESIDENT/CEO OR HER DESIGNEE(S) TO NEGOTIATE AND EXECUTE A GROUND LEASE WITH ACE DEVCO NC, LLC ("AES"), IN ACCORDANCE WITH KEY BUSINESS TERMS.

WHEREAS the Tucson Airport Authority, Inc. ("TAA"), owns approximately 1,300 acres ("Sonora South") depicted in Exhibit A of Exhibit A – Business Terms and described in Exhibit B of Exhibit A – Business Terms, attached to this resolution, and incorporated herein by reference; and

WHEREAS the TAA has determined that the aforementioned property has limited industrial value and that the best use of the site at present is to construct a solar photovoltaic ("PV") array which will generate revenue and support the TAA's strategic initiative to Expand Prosperity; and

WHEREAS the TAA submitted an advertisement to bid for companies to develop a PV array on Sonora South; and

WHEREAS Ace DevCo NC, LLC ("AES"), the successful bidder, and TAA have agreed on the terms for a new ground lease.

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

The President/CEO or her designee(s) is authorized to negotiate and execute a ground lease with AES in accordance with key business terms set forth in Exhibit A – Business Terms and the Lease Model in Exhibit C of Exhibit A – Business Terms, both attached to this resolution and incorporated herein by reference.

PASSED AND ADOPTED by the Board of Directors of the Tucson Airport Authority, Inc., this twenty-second day of January, 2024.

	Keri Silvyn, Chair of the Board
ATTEST:	APPROVED AS TO FORM:
Phil Swaim, Secretary	Christopher Schmaltz, Executive Vice President and General Counsel

TUCSON AIRPORT AUTHORITY TUCSON INTERNATIONAL AIRPORT - RYAN AIRFIELD

Exhibit A - Business Terms

Key Business Terms – AES PV Array Ground Lease Agreement with option

Date: December 21, 2023

Purpose: Tenant desires to construct and electrify a photovoltaic (PV) array on Premises.

Premises Landlord: Tucson Airport Authority, Inc. (TAA)

Tenant: AES (ACE DevCo NC, LLC)

Premises: Sonora South (See Exhibit B legal description), approximately 1300-acres.

Option Term: Up to four (4) years.

Lease Term: Twenty-five (25) years with two (2) five (5) year optional extensions.

Commencement Date: Beneficial occupancy as mutually agreed upon.

Option Payments: See Exhibit C: Lease Model (TAA Counter)

Option Year 1: One Hundred Thousand U.S. Dollars (\$100,000) in 4 equal \$25,000

payments.

Option Year 2: One Hundred Ten Thousand U.S. Dollars (\$110,00) in four (4)

equal \$27,500 payments.

Option Year 3: One Hundred Twenty Thousand U.S. Dollars (\$120,00) in four (4)

equal \$30,000 payments.

Option Year 4: One Hundred Thirty Thousand U.S. Dollars (\$130,00) in four (4)

equal \$32,500 payments.

Base Rent: One Thousand, Five Hundred (\$1,500.00) U.S. Dollars (\$1,500.00) per acre per

year (the "Rent"), paid within ninety days (90) of the Effective Date for the first (1st) year of the Term, and on or before each anniversary of the Effective Date thereafter and paid annually until this Lease expires or is rightfully terminated. See Exhibit C:

Lease Model (TAA Counter)

Rate Adjustments: Rent shall be increased to an amount equal to the Rent in effect on the applicable

Adjustment Date increased by one and one-half percent (1.5%).

Security Deposit: During the term of the Lease, Tenant will provide and maintain a valid a contract

security in a form acceptable to TAA (e.g., Letter of Credit or Surety Bond) in an

amount equivalent to three (3) months' rent.

Maintenance

Responsibilities: Tenant, at Tenant's expense, shall keep the leased premises in good working

order, condition, and repair.

Site Development: Tenant agrees to perform the following improvements:

• Comply with all FAA-mandated pre-development work including a glare analysis on the panels and infrastructure.

Conduct ALTA survey and all other pre-construction land analysis at

Tenant's expense.

Partner with TAA in the analysis of riparian habitat on the Premises.

 Partner with TAA to rezone the Premises from Rural Homestead to Heavy Industrial during the option or primary lease period.



- Secure the Premises boundaries at Tenant's discretion.
- Construct a 10-foot-high block wall along the southern border of the premises.
- Provide sufficient buffer for the construction of the future Sonoran Corridor along the northern and western borders of the Premises.
 - Sonoran Corridor buffer to be 1000' max
 - TAA will consider a short-term lease in the buffer area prior to the execution of the Sonoran Corridor construction project.
- Honor all existing and proposed easements for TEP and WAPA.
- Perform all work required to accomplish site operation at Tenant's expense.

Tenant intends to make modifications to the Premises. Approval of these modifications is subject to the TAA Tenant Improvement Review Panel (TIRP). No improvements or modifications will be completed prior to a notice to proceed from the TIRP.

TAA is responsible for the following items:

- All FAA environmental (NEPA) actions
- Lead the process to rezone the Premises from Rural Homestead to Heavy Industrial.
- Lead the process to analyze and mitigate the Riparian Habitat on Premises.

TAA Approval of Terms:

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

This proposal represents an expression of interest in pursuing acceptable business terms for which Landlord and Tenant can mutually execute a lease document for the Premises. No legal obligation or liability shall arise between the parties until the execution of a standard Lease agreement that is satisfactory to each party and its counsel. Unless accepted or responded to by Tenant this offer shall expire as of 5:00 p.m. local time, December 31, 2023.

Agreed and Accepted:

Bryan Delos Reyes

Authorized Representative of AES

December 21, 2023

Date



EXHIBIT A – Site Layout

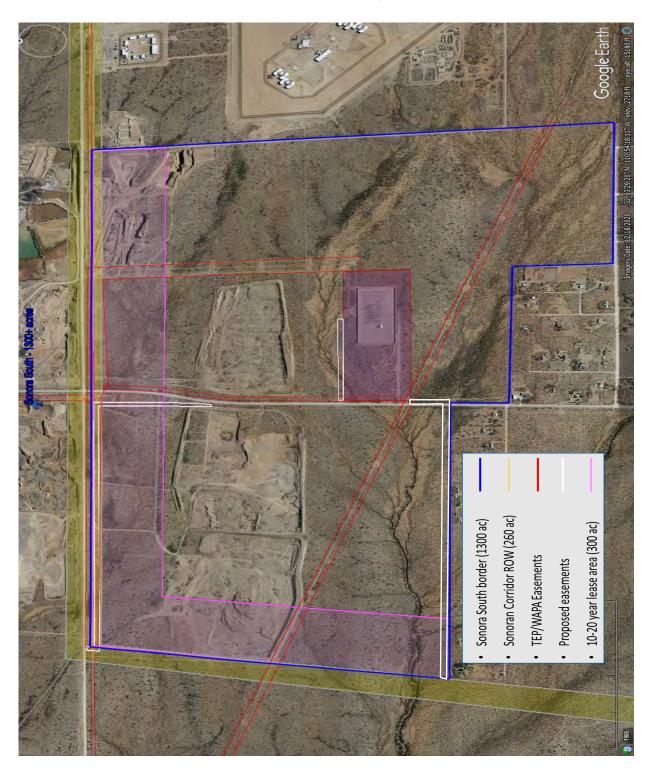




EXHIBIT B: Legal Description

Parcel 24

APN(s): 303-090-450, 303-700-05A, 303-700-05B, 303-090-230

Parcel I:

The South half of Section 3, Township 16 South, Range 14 East, Gila and Salt River Base and Meridian, Pima County, Arizona;

Except the East 75 feet, also except the South half of the South half of the Southeast quarter of Section 3 and also except the South half of the South half of the South half of the South half of

Parcel II:

The South half of Section 2, Township 16 South, Range 14 East, Gila and Salt River Base and Meridian, Pima County, Arizona;

Except the West 75 feet thereof.

Parcel III:

The North half of the Northeast quarter of Section 11, Township 16 South, Range 14 East, Gila and Salt River Base and Meridian, Pima County, Arizona.



Northwest
The Mattheast quarter of Sections Township 16 South, Range 14 East, Gila and Salt River Base and Meridian, Pima County, Arizona;

TOGETHER WITH a non-exclusive easement for ingress, egress, access and utilities, in common with grantor and others, arising out of that certain Reservation of Easement, recorded in the office of the Recorder of Pima County, Arizona, on December 17, 1986, in Docket 7933, at Page 1694;

EXCEPT the following parcels:

(k/a) Parcel 1, conveyed by Deed in Docket 8173, Page 1446, described as follows:

The North 30 feet of the Northwest quarter of said Section 2.

(k/a) Parcel 4, conveyed by Deed in Docket 8248, Page 1635, described as follows:

That portion of Section 2, Township 16 South, Range 14 East, Gila and Salt River Base and Meridian, Pima County, Arizona, described as follows:

COMMENCING at the Northwest corner of said Section 2;

THENCE South 00°13'54" East along the West line of said Section 2, a distance of 30.00 feet to a line 30.00 feet South of and parallel with the North line of said Section 2;

THENCE North 89°28'56" East along said parallel line, a distance of 137.52 feet to the POINT OF BEGINNING, said point being a point of cusp of a tangent curve concave to the Southwest;

THENCE Easterly and Southerly along the arc of said curve, to the right, having a radius of 25.00 feet and a central angle of 90°17'10" for an arc distance of 39.39 feet to a point of tangency on a line 162.65 feet East of and parallel with the West line of said Section 2;

THENCE South 00°13'54" East along said parallel line, a distance of 474.50 feet to the point of curvature of a tangent curve concave to the Northwest;

THENCE Southerly along the arc of said curve, to the right, having a radius of 3,744.72 feet and a central angle of 12°18'09" for an arc distance of 804.07 feet to a point of tangency;

THENCE South 12°04'15" West, 7.77 feet to a line 75.00 feet East of and parallel with the West line of said Section 2;

THENCE South 00°13'54" East along said parallel line, a distance of 1,107.57 feet to a point of cusp of a tangent curve concave to the Southeast;

THENCE Northerly along the arc of said curve, to the right, having a radius of 3,744.72 feet and a central angle of 12°18'09" for an arc distance of 804.07 feet to a point of tangency;

THENCE North 12°04'15" East, 292.00 feet to a point of curvature of a tangent curve concave to the Northwest;

THENCE Northerly along the arc of said curve, to the left, having a radius of 3,894.72 feet and a central angle of 12°18'09" for an arc distance of 836.28 feet to a point of tangency on a line 312.65 feet East and parallel with the West line of said Section 2;

THENCE North 00°13'45" West along said parallel line, a distance of 475.51 feet to a point of curvature of a tangent curve concave to the Southeast;



THENCE Northerly and Easterly along the arc of said curve, to the right, having a radius of 25.00 feet and a central angle of 89°42'15" for an arc distance of 39.14 feet to a point of cusp on a line 30.00 feet South of and parallel with the North line of said Section 2;

THENCE South 89°28'21" West along said parallel line, a distance of 62.22 feet to an angle point;

THENCE South 89°28'56" West along said parallel line, a distance of 137.78 feet to a POINT OF BEGINNING.

(k/a) Parcel 6, conveyed by Deed in Docket 8284, Page 1635, described as follows:

That portion of Section 2, Township 16 South, Range 14 East, Gila and Salt River Base and Meridian, Pima County, Arizona, described as follows:

COMMENCING at the Northwest corner of said Section 2;

THENCE South 00°13'54" East along the West line of said Section 2, a distance of 1,681.23 feet to the POINT OF BEGINNING on the arc of a non-tangent curve concave to the Southeast, a radial bearing of said curve through said point having a bearing of North 78°58'09" West;

THENCE Northeasterly along the arc of said curve, to the right, having a radius of 3,894.72 feet and a central angle of 01°02'25" for an arc distance of 70.71 feet to a point of tangency;

THENCE North 12°04'15" East, 284.23 feet to a line 75.00 feet East of and parallel with the West line of said Section 2;

THENCE South 00°13'54" East along said parallel line, a distance of 1,915.89 feet to the South line of the South half of the Northwest quarter of said Section 2;

THENCE South 89°23'42" West along the South line, a distance of 75.00 feet to the Southwest corner of said South half;

THENCE North 00°13'54" West along the West line of said Section 2, a distance of 1,569.46 feet to the POINT OF BEGINNING.

(k/a) Parcel 3, conveyed by Deed in Docket 8248, Page 168, described as follows:

That portion of Section 2, Township 16 South, Range 14 East, Gila and Salt River Base and Meridian, Pima County, Arizona, described as follows:

COMMENCING at the Northwest corner of said Section 2;

THENCE South 00°13'54" East along the West line of said Section 2, a distance of 30.00 feet to the POINT OF BEGINNING on a line 80.00 feet South of and parallel with the North line of said Section 2;

THENCE North 89°28'56" East along said parallel line, a distance of 137.52 feet to a point of curvature of a tangent curve concave to the Southwest;

THENCE Easterly and Southerly along the arc of said curve, to the right, having a radius of 25.00 feet and a central angle of 90°17'10" for an arc distance of 39.39 feet to a point of tangency on a line 162.65 feet East of and parallel with the West line of said Section 2;

THENCE South 00°13'54" East along said parallel line, a distance of 474.50 feet to a point of curvature of a tangent curve concave to the Northwest;

THENCE Southerly along the arc of said curve, to the right, having a radius of 3,744.72 feet and a central angle of 12°18'09" for an arc distance of 804.07 feet to a point of tangency;



THENCE South 12°04'15" West, 7.77 feet to a line 75.00 feet East of and parallel with the West line of said Section 2;

THENCE North 00°13'54" West along said parallel line, a distance of 1,234.81 feet to a point of curvature of a tangent curve concave to the Southeast;

THENCE Northerly and Easterly along the arc of said curve, to the right, having a radius of 25.00 feet and a central angle of 89°42′50" for an arc distance of 39.15 feet to a point of cusp of a tangent curve on a line 75.00 feet South of and parallel with the North line of said Section 2;

THENCE South 89°28'56" West along said parallel line, a distance of 99.88 feet to the West line of said Section 2;

THENCE North 00°13'54" West along said West line, a distance of 45.00 feet to the POINT OF BEGINNING.

(k/a) Parcel 7, conveyed by Deed in Docket 8248, Page 1685, described as follows:

That portion of of Section 2, Township 16 South, Range 14 East, Gila and Salt River Base and Meridian, Pima County, Arizona, described as follows:

COMMENCING at the Northwest corner of said Section 2;

THENCE North 89°28'56" East along the North line of said Section 2, a distance of 137.37 feet to the POINT OF BEGINNING;

THENCE continue North 89°28'56" East along said North line, a distance of 137.78 feet to an angle point;

THENCE North 89°28'21" East along said North line of Section 2, a distance of 62.22 feet;

THENCE South 00°31'39" East, 30.00 feet to a line 30.00 feet South of and parallel with the North line of said Section 2;

THENCE South 89°28'21" West along said parallel line, a distance of 62.22 feet to an angle point;

THENCE South 89°28'56" West along said parallel line, a distance of 137.78 feet;

THENCE North 00°31'04" West, 30.00 feet to the POINT OF BEGINNING.

AND (k/a) Parcel 2, conveyed by Deed in Docket 8248, Page 1689, described as follows:

That portion of Section 2, Township 16 South, Range 14 East, Gila and Salt River Base and Meridian, Pima County, Arizona, described as follows:

COMMENCING at the Northwest corner of said Section 2;

THENCE South 00°13'54" East, along the West line of said Section 2, a distance of 75.00 feet to the POINT OF BEGINNING on a line 75.00 feet South of and parallel with the North line of said Section 2;

THENCE North 89°28'56" East along said parallel line, a distance of 99.88 feet to a point of cusp of a tangent curve to the Southeast;

THENCE Westerly and Southerly along the arc of said curve, to the left, having a radius of 25.00 feet and a central angle of 89°42'50" for an arc distance of 39.15 feet to a point of tangency on a line 75.00 feet East of and parallel with the West line of said Section 2;



THENCE South 00°13'54" East along said parallel line, a distance of 1,234.81 feet;

THENCE South 12°04'15" West 284.23 feet to a point of curvature of a tangent curve concave to the Southeast;

THENCE Southwesterly along the arc of said curve, to the left, having a radius of 3,894 feet and a central angle of 01°02'25" for an arc distance of 70.71 feet to the non-tangent West line of said Section 2;

THENCE North 00°13'54" West along said West line of Section 2, a distance of 1,606.23 feet to the POINT OF BEGINNING.

Parcel 32

APN(s): 303-090-02E

The Northeast quarter of Section 3, Township 16 South, Range 14 East, Gila and Salt River Base and Meridian, Pima County, Arizona;

EXCEPT the North 30.00 feet conveyed to Pima County by Deed recorded December 2, 1987 in Docket 8173, at Page 1449 of Pima County, Arizona records;

FURTHER EXCEPTING that portion of Section 3, Township 16 South, Range 14 East, Gila and Salt River Base and Meridian, Pima County, Arizona; having been conveyed to Pima County by Deed recorded March 22, 1988 in Docket 8248, at Page 1656 of Pima County, Arizona records, more particularly described as follows:

COMMENCING at the Northeast corner of said Section 3;

THENCE South 00°13′54" East along the East line of said Section 3, a distance of 1,681.23 feet to the POINT OF BEGINNING;

THENCE continue South 00°13′54" East along said East line, a distance of 1,569.46 feet to the Southeast corner of the South half of the Northeast guarter of said Section 3;

THENCE South 89°26'07" West along the South line of said South half of the Northeast quarter, a distance of 75.00 feet to a line, 75.00 feet West of and parallel with the East line of said Section 3;

THENCE North 00°13'54" West along said parallel line, a distance of 809.25 feet to a point of curvature of a tangent curve concave to the Southeast;

THENCE Northerly along the arc of said curve, to the right, having a radius of 3,894.72 feet and a central angle of 11°15'45", for an arc distance of 765.57 feet to the POINT OF BEGINNING.



Parcel 33

APN(s): 303-700-020, 303-700-010

Parcel 1:

TENAN

The West half of the Northeast quarter of Section 2, Township 16 South, Range 14 East, Gila and Salt River Base and Meridian, Pima County, Arizona, Arizona;

EXCEPT the North 30.00 feet having been conveyed to Pima County by Deed recorded November 6, 1987, at Page 2342.

Parcel 2:

The East half of the Northeast quarter of Section 2, Township 16 South, Range 14 East, Gila and Salt River Base and Meridian, Pima County, Arizona;

EXCEPT the North 30.00 feet having been conveyed to Pima County by Deed recorded November 6, 1987 in Docket 8157, at Page 2342.

Parcel 35 APN(s) 303-090-01Q, 303-090-01P

The Northwest quarter of Section 3, Township 16 South, Range 14 East, Glla and Salt River Base and Meridian, Pima County, Arizona;

EXCEPT the North 30 feet thereof.



EXHIBIT C: Lease Model

	AES	TAA
(Propo	osal from SOW)	Counter (1.5%)
Option year 1:	65,000	100,000
Option year 2:	78,000	110,000
Option Year 3:	97,500	120,000
Option year 4:	130,000	130,000
1 4.	4.050.000	4.050.000
Lease year 1:	1,950,000	1,950,000
Lease year 2:	1,950,000	1,979,250
Lease year 3:	1,950,000	2,008,939
Lease year 4:	1,950,000	2,039,073
Lease year 5:	1,950,000	2,069,659
Lease year 6:	1,950,000	2,100,704
Lease year 7:	1,950,000	2,132,214
Lease year 8:	1,950,000	2,164,198
Lease year 9:	1,950,000	2,196,661
Lease year 10:	2,229,610	2,229,610
Lease year 11:	2,229,610	2,263,055
Lease year 12:	2,229,610	2,297,000
Lease year 13:	2,229,610	2,331,455
Lease year 14:	2,229,610	2,366,427
Lease year 15:	2,229,610	2,401,924
Lease year 16:	2,229,610	2,437,953
Lease year 17:	2,229,610	2,474,522
Lease year 18:	2,229,610	2,511,640
Lease year 19:	2,229,610	2,549,314
Lease year 20:	2,229,610	2,587,554
Lease year 21:	2,229,610	2,626,367
Lease year 22:	2,229,610	2,665,763
Lease year 23:	2,229,610	2,705,749
Lease year 24:	2,229,610	2,746,335
Lease year 25:	2,787,530	2,787,530
Extension 4 Veer 4:	2 727 520	2 220 242
Extension 1 Year 1:	2,787,530	2,829,343
Extension 1 Year 2:	2,787,530	2,871,784
Extension 1 Year 3:	2,787,530	2,914,860
Extension 1 Year 4:	2,787,530	2,958,583
Extension 1 Year 5:	2,787,530	3,002,962
Extension 2 Year 1:	2,787,530	3,048,006
Extension 2 Year 2:	2,787,530	3,093,727
Extension 2 Year 3:	2,787,530	3,140,132
Extension 2 Year 4:	2,787,530	3,187,234
Extension 2 Year 5:	2,787,530	3,235,043
Total Contract Value:	82,027,480	89,364,571



September 2023 Financial Highlights

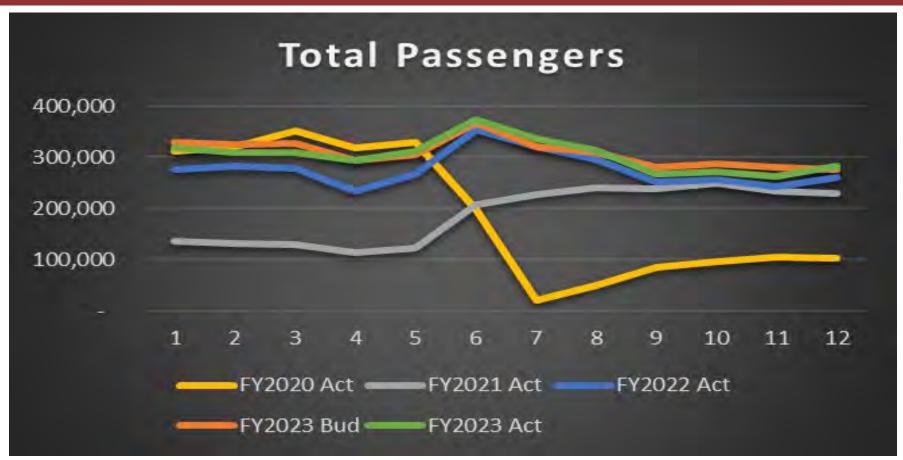
Board of Directors Meeting January 22, 2024

FY 2023 Operating Statistics



- September Landed Weight is 13.4% above budget, 15.3% higher than FY2021
- YTD Landed Weight is 10.0% above budget, 34.0% higher than FY2021

FY 2023 Operating Statistics



- September passenger volume is 2.6% over budget, 22.6% higher than FY2021
- YTD passenger volume is 1.3% below budget, 61.8% higher than FY2021

September 2023 Flight & Passenger Activity

Month	FY2023	FY2022	FY2021	FY2020	FY2019
<u>Month</u>					
Total Passengers	282,203	259,929	230,145	102,941	268,556
Average Load Factor	78.3%	90.1%	80.9%	67.8%	84.8%
Average Daily Departures	51.4	39.4	43.3	23.7	46.7
Average Daily Seat Capacity	6,329	4,913	4,788	2,546	5,269
Year-To-Date					
Total Passengers	3,653,233	3,317,494	2,257,581	2,283,777	3,783,535
Average Load Factor	86.6%	86.2%	72.3%	67.3%	83.6%
Average Daily Seat Capacity	6,086	5,361	4,309	4,656	6,199
Average Seat Count per Departure	123.1	124.7	110.6	107.3	112.9

YTD 2023 Financial Results

	YTD (Oct-Sep) Actual	Total Annual Budget	100.00%
Operating Revenues	\$ 45,666,259	\$ 42,864,610	106.5%
Operating Expenses	37,711,500	38,898,979	96.9%

September (12th month) / 12 months total = 100% Revenues above 100% = favorable. Expenses below 100% = favorable.

September 2023 Financial Results

<u>September</u>	Actual	Budget	Actual vs. Budget	Prior Year (2022)	Current vs. Prior Year	Pre-Covid June 2019
Operating Revenues Operating Expenses Operating Income (Loss)	\$ 3,932,012 3,084,839 \$ 847,173	\$ 3,563,630 3,096,649 \$ 466,981	\$ 368,382 10.3% 11,810 0.4% \$ 380,192	\$ 2,549,902 4,598,549 \$ (2,048,647)	\$ 1,382,110 \$ (1,513,710) \$ 2,895,820	54.2% \$ 3,742,212 -32.9% 3,327,880 \$ 414,332
Twelve Months Ended 9/2023						
Operating Revenues	\$ 45,666,259	\$ 42,864,610	\$ 2,801,649 6.5%	\$ 41,524,429	\$ 4,141,830	10.0% \$ 46,458,354
Operating Expenses Operating Income	\$ 7,954,759	38,898,979 \$ 3,965,631	1,187,479 3.1% \$ 3,989,128	\$ 5,943,966	(2,131,037) \$ 2,010,793	-6.0% <u>31,525,934</u> \$ 14,932,420

September 2023 Operating Revenues

Operating Revenues

September			Actual vs	.
ooptomoor	Actual	Budget	Budget	
Landing fees	\$ 225,284	\$ 183,648	\$ 41,636	22.7%
Space rentals	945,021	893,696	51,325	5.7 %
Land rent	321,278	304,166	17,112	5.6%
Concession revenue	1,787,901	1,662,218	125,683	7.6%
Reimbursed Services	350,298	266,816	83,482	31.3%
Other Operating Revenue	302,230	253,085	49,145	19.4%
Total operating revenues	\$ 3,932,012	\$ 3,563,630	\$ 368,383	10.3%

September 2023 Operating Expenses

Operating Expenses

		Actual vs.
Actual	Budget	Budget
\$ 1,982,797	\$ 2,004,784	\$ 21,987 1.1%
792,830	776,156	(16,673) -2.1%
188,494	182,777	(5,717) -3.1%
120,718	132,931	12,213 9.2%
\$ 3,084,839	\$ 3,096,649	\$ 11,810 0.4%
	\$ 1,982,797 792,830 188,494 120,718	\$ 1,982,797 \$ 2,004,784 792,830 776,156 188,494 182,777 120,718 132,931

2023 YTD Revenue

Operating Revenues

YTD			Actual vs	•
110	Actual	Budget	Budget	
Landing fees	\$ 2,752,908	\$ 2,377,890	\$ 375,018	15.8%
Space rentals	11,218,709	10,698,401	520,308	4.9%
Land rent	3,221,019	3,649,997	(428,978)	-11.8%
Concession revenue	21,481,126	19,754,416	1,726,710	8.7%
Reimbursed Services	3,256,450	3,201,787	54,663	1.7%
Other Operating Revenue	3,736,047	3,182,119	553,928	17.4%
Total operating revenues	\$ 45,666,259	\$ 42,864,610	\$ 2,801,649	6.5%

2023 YTD Concession Revenue

Account Description	YTD Actual	YTD Budget	Actuals vs. B	Budget
Rental Cars	\$ 8,399,820	\$ 8,054,872	\$ 344,948	4.3%
Parking	9,817,483	8,648,493	1,168,990	13.5%
Ground Transportation	424,851	382,394	42,457	11.1%
Advertising	135,189	125,000	10,189	8.2%
Food & Beverage	756,173	607,922	148,251	24.4%
News & Gifts	975,641	1,163,547	(187,906)	-16.1%
Transportation Network Company	810,695	689,740	120,955	17.5%
Peer-to-Peer Car Rental	41,930	-	41,930	0.0%
Other	119,344	82,448	36,896	44.8%
Total	\$ 21,481,126	\$ 19,754,416	\$1,726,718	8.7%

2023 YTD Operating Expenses

Operating Expenses

YTD			Actual vs.
115	Actual	Budget	Budget
Personnel expenses	\$ 24,751,170	\$ 25,018,484	\$ 267,314 1.1%
Contractual services	8,994,458	9,689,253	694,795 7.2%
Materials and supplies	2,411,087	2,439,304	28,217 1.2%
Other operating expenses	1,554,785	1,751,938	197,153 11.3%
Total operating expenses	\$ 37,711,500	\$ 38,898,979	\$ 1,187,479 3.1%

2023 vs 2022

	2023 YTD (Oct-Sep)	2022 Oct-Sep	2023 vs 2022
Operating Revenues	\$ 45,666,259	\$ 41,524,429	10.0%
Operating Expenses	37,711,500	35,580,463	6.0%

2023 vs 2019 (Pre-Covid)

	2023 YTD (Oct-Sep)	Pre-Covid Oct-Sep 2019	2023 vs 2019		
Operating Revenues	\$ 45,666,259	\$ 46,458,354	-1.7%		
Operating Expenses	37,711,500	31,525,934	19.6%		





Date: January 22, 2024

To: Board of Directors

From: Kim Allison, Chief Financial Officer

Re: Summary of Financial Performance for September 2023

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

- Tucson Airport Authority generated net operating income before depreciation and amortization of \$847,173 for September 2023, which is \$380,192 favorable to budget due to favorable operating revenues (largely parking, rental cars and space rent). Expenses closely matched budget as detailed below.
- Year-to-date, Tucson Airport Authority generated net operating income before depreciation and amortization of \$7,954,758 which exceeded the budget by \$3,989,127. A favorable position is attributable to operating revenues and expenses described below.

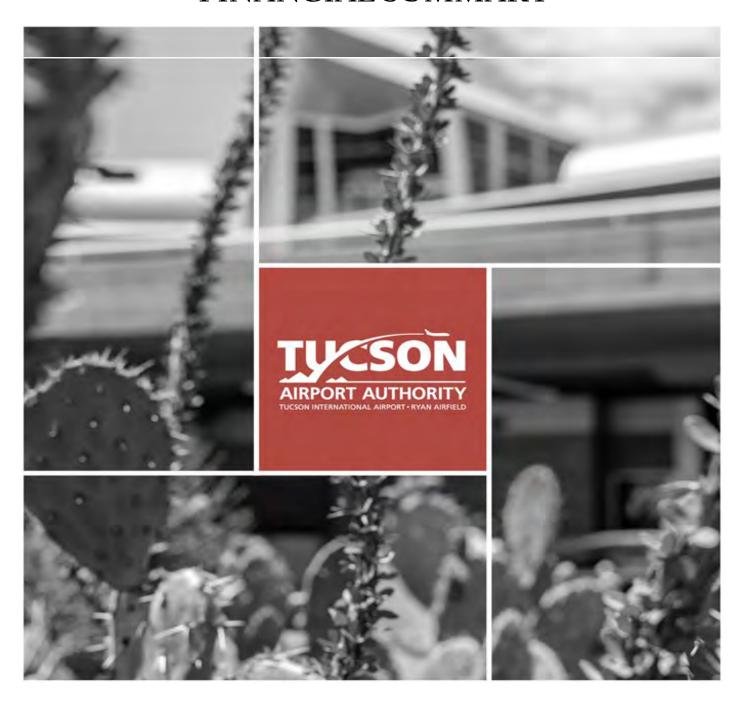
Operating Revenues (YTD vs budget):

- In September, operating revenue of \$3,932,012 is favorable to budget by \$368,383 or 10.3% and favorable to prior year by \$1,382,110 or 54.2%. The increase from prior year is largely due to increased concession revenues, including parking which received a rate increase in 2022. Compared to September 2019 (Pre-COVID), total operating revenues for the month were higher by \$189,800.
- Year-to-date operating revenues were favorable to budget by \$2,801,649 or 6.5%, with favorable variances in all revenue categories except for land rent.

Operating Expenses (YTD vs budget):

- In September, total operating expenses were lower than budget by \$11,809 or 3.8%. The favorable variance is largely due to lower-than-budgeted personnel expenses. Operating expenses were favorable to prior year by \$1,513,710 or 32.9%. This is due to the pension adjustment which has not yet been recorded for FY 2023. Those calculations are not provided to TAA until late spring at the earliest. Operating expenses for FY 2023 were favorable to September 2019 (Pre-COVID) by \$231,231 or 0.7%.
- Year-to-date total operating expenses of \$37,711,500 are favorable to budget by \$1,187,479 or 3.4%. All operating expense categories are lower than budgeted. Contractual services expenses drive most of the favorable variance.

FINANCIAL SUMMARY



For the year ending September 30, 2023

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

	CURREN	T MONTH - Septe	mber 2023	September 2022	PRE-COVID September 2019
			FAV	•	·
	BUDGET	ACTUAL	(UNFAV)	ACTUAL	ACTUAL
OPERATING REVENUES:					
Landing fees	183,648	225,284	41,636	184,872	\$ 220,281
Space rentals	893,696	945,021	51,325	762,112	1,237,835
Land rent	304,166	321,278	17,112	(92,249)	293,286
Concession revenue	1,662,218	1,787,901	125,683	1,035,703	1,485,654
Reimbursed services	266,816	350,298	83,482	436,846	268,935
Other operating revenues	253,085	302,230	49,145	222,619	236,221
Total Operating Revenues	3,563,630	3,932,012	368,383	2,549,902	3,742,212
OPERATING EXPENSES:					
Personnel expenses	2,004,784	1,982,798	21,986	3,253,842	2,231,277
Contractual services	776,156	792,830	(16,673)	970,405	821,444
Materials and supplies	182,777	188,494	(5,717)	202,134	201,841
Other operating expenses	132,931	120,718	12,213	172,168	73,318
Total Operating Expenses	3,096,649	3,084,839	11,809	4,598,549	3,327,880
NET OPERATING INCOME (LOSS) BEFORE DEPRECIATION AND AMORTIZATION	466,981	847,173	380,192	(2,048,647)	414,332
Depreciation and Amortization	1,763,217	1,751,428	11,789	1,646,627	1,605,418
OPERATING INCOME (LOSS)	(1,296,236)	(904,255)	391,981	(3,695,274)	(1,191,086)
NONOPERATING INCOME (EXPENSES)					
Interest Income	43,868	244,616	200,747	1,294,251	167,514
Net increase/(decrease) in fair value of investments	-	255,765	255,765	(876,806)	(33,274)
Passenger facility charges	542,959	807,997	265,039	652,122	701,607
Interest expense and fiscal charges	(55,059)	(55,059)	(0)	(62,934)	(85,244)
Gain/(Loss) on disposition of capital assets	-	-	<u>-</u>	4,938	39,600
Other nonoperating revenues (expenses)		(23,854)	(23,854)	1,928,377	35,000
Total nonoperating revenues (expenses)	531,768	1,229,465	697,697	2,939,947	825,203
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(764,468)	325,210	1,089,678	(755,327)	(365,883)
CAPITAL CONTRIBUTIONS:					
Federal	3,680,928	2,047,824	(1,633,104)	1,291,283	711,282
State	54,372	97,773	43,401	1,242	3,979
Total capital contributions	3,735,300	2,145,597	(1,589,703)	1,292,525	715,261
INCREASE (DECREASE) IN NET POSITION	\$ 2,970,832	2,470,807	\$ (500,025)	\$ 537,197	\$ 349,378

3 ,								P	RE-COVID
						_	YTD -	_	YTD -
	CURRENT Y	EAR	TO DATE - Sept	embe		S	eptember 2022	Sep	tember 2019
	BUDGET		ACTUAL		FAV (UNFAV)		ACTUAL		ACTUAL
OPERATING REVENUES:									
Landing fees	\$ 2,377,890	\$	2,752,908	\$	375,018	\$	2,494,007	\$	3,070,839
Space rentals	\$ 10,698,401	\$	11,218,709		520,308	\$	10,553,073		15,046,170
Land rent	\$ 3,649,997	\$	3,221,019		(428,978)	\$	3,242,232		3,515,665
Concession revenue	\$ 19,754,416	\$	21,481,126		1,726,710	\$	18,652,486		18,624,434
Reimbursed services	\$ 3,201,787	\$	3,256,450		54,663	\$	3,154,925		3,155,635
Other operating revenues	\$ 3,182,119	\$	3,736,047		553,928	\$	3,427,706		3,045,611
Total operating revenues	42,864,610		45,666,259		2,801,649		41,524,429		46,458,354
OPERATING EXPENSES:									
Personnel expenses	25,018,484	\$	24,751,170		267,314	\$	23,398,275		21,783,072
Contractual services	9,689,253	\$	8,994,458		694,795	\$	8,954,187		7,220,397
Materials and supplies	2,439,304	\$	2,411,087		28,217	\$	1,912,266		1,577,555
Other operating expenses	1,751,938	\$	1,554,785		197,153	\$	1,315,735		944,910
Total Operating Expenses	38,898,979		37,711,500		1,187,479		35,580,463		31,525,934
NET OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION	3,965,631		7,954,758		3,989,127		5,943,966		14,932,420
Depreciation and Amortization	21,158,599		21,227,032		(68,433)		21,261,572		18,340,644
OPERATING INCOME (LOSS)	(17,192,968)		(13,272,274)		3,920,694		(15,317,606)		(3,408,224)
NONOPERATING REVENUES (EXPENSES):									
Interest Income	526,422		3,135,358		2,608,936		1,726,195		3,079,094
Net increase/(decrease) in fair value of investments	-		3,459,410		3,459,410		(6,324,662)		1,753,938
Passenger facility charges	7,295,673		7,213,557		(82,116)		6,502,174		7,210,333
Interest expense and fiscal charges	(686,814)		(686,814)		0		(780,585)		(1,077,162)
Gain/(Loss) on disposition of capital assets	-		(7,955)		(7,955)		8,188		45,589
Environmental remediation expenses*	-		(734,190)		(734,190)		(1,315,930)		-
Other nonoperating revenues (expenses)	881,773		3,311,639		2,429,866		15,024,268		159,375
Total nonoperating revenues (expenses)	8,017,054		15,691,004		7,673,951		14,839,648		11,171,167
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(9,175,914)		2,418,730		11,594,645		(477,958)		7,762,943
CAPITAL CONTRIBUTIONS:									
Federal	44,171,137		18,141,013		(26,030,124)		28,131,394		3,125,705
State	652,458		746,590		94,132		1,120,090		95,080
Total capital contributions	44,823,595		18,887,602		(25,935,993)		29,251,484		3,220,785
INCREASE (DECREASE) IN NET POSITION	\$ 35,647,681	\$	21,306,332	\$	(14,341,348)		28,773,526		10,983,728
TOTAL NET POSITION, (BEGINNING)			471,774,021				443,000,496		386,970,849
TOTAL NET POSITION, (ENDING)		\$	493,080,353			\$	471,774,022	\$	397,954,577
									 _

TUCSON AIRPORT AUTHORITY STATEMENT OF NET POSITION

ASSETS	September-23	September-22
CURRENT ASSETS		
Unrestricted assets:		
Cash and cash equivalents	45,148,321	33,158,862
Investments	95,366,666	109,221,033
Accounts receivable, net of allowance for doubtful accounts	619,551	6,407,843
Accrued interest receivable	220,561	95,606
Grants receivable	4,834,536	9,057,179
Short-Term lease receivable	4,016,661	5,040,303
Inventories	446,129	414,637
Prepaid expenses and other assets	1,123,046	1,151,114
Total unrestricted current assets	151,775,471	164,546,577
Restricted assets:		
Cash and cash equivalents	9,200,205	1,403,920
Investments	20,550,387	24,044,347
Accounts receivable	1,158,773	982,305
Accrued interest receivable	54,079	29,005
Total restricted current assets	30,963,444	26,459,577
Total current assets	182,738,915	191,006,154
Noncurrent assets:		
Unrestricted assets:		
Long-Term lease receivable	76,121,320	80,137,980
Capital assets		
Not depreciated	176,298,254	138,245,948
Depreciated, net	205,782,403	221,869,522
Net capital assets	382,080,657	360,115,470
Total unrestricted noncurrent assets	458,201,977	440,253,450
Total noncurrent assets	458,201,977	440,253,450
TOTAL ASSETS	640,940,892	631,259,604
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows from pensions	5 500 775	5 500 775
Total deferred outflows of resources	5,599,775 5,599,775	5,599,775 5,599,775
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	646,540,667	636,859,378

TUCSON AIRPORT AUTHORITY STATEMENT OF NET POSITION

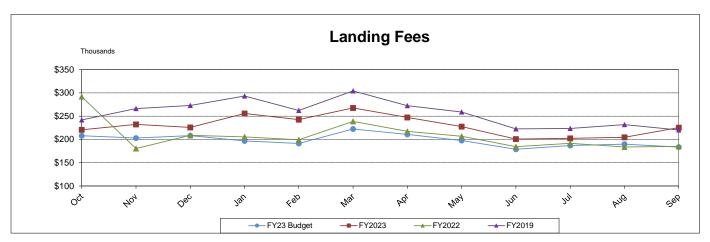
LIABILITIES & NET ASSETS (Con't)

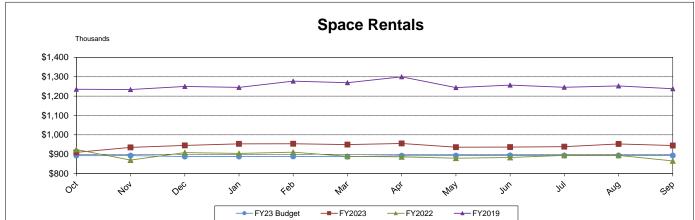
LIABILITIES	September-23	September-22
CURRENT LIABILITIES		
Payable from unrestricted assets:		
Accounts payable	907,972	1,565,625
Accrued expenses	2,836,901	2,709,857
Unearned revenue	1,270,906	1,396,005
Construction contracts payable	9,127,012	9,330,235
Current portion of environmental remediation payable	2,539,929	4,473,947
Current portion of bonds payable:		
Airport Subordinate Lien Revenue Bonds, Series 2018	1,610,000	1,610,000
Total payable from unrestricted assets	18,292,720	21,085,669
Payable from restricted assets		
Accrued interest payable:		
Current portion of environmental remediation payable	1,517,081	572,412
Total payable from restricted assets	1,517,081	572,412
Total current liabilities	19,809,801	21,658,081
NONCURRENT LIABILITIES		
Payable from unrestricted assets		
Bonds payable, net of current portion:		
Airport Subordinate Lien Revenue Bonds, Series 2018	18,481,965	21,794,826
Net pension liability	20,039,902	20,039,902
Environmental Remediation Payable, net of current portion	15,216,302	16,520,990
Total payable from unrestricted assets	53,738,169	58,355,718
Total noncurrent liabilities	53,738,169	58,355,718
TOTAL LIABILITIES	73,547,970	80,013,799

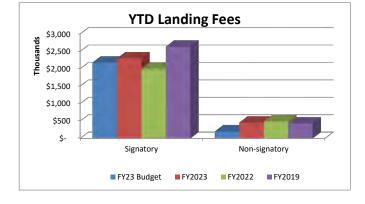
TUCSON AIRPORT AUTHORITY STATEMENT OF NET POSITION

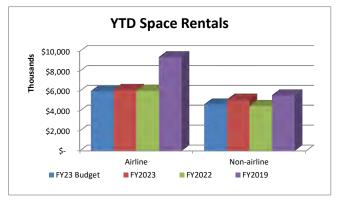
LIABILITIES & NET ASSETS (Con't)

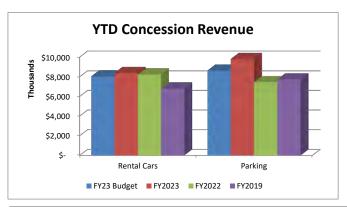
	September-23	September-22
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows from pensions	1,192,681	1,192,679
Deferred inflows from leases-ST	4,133,072	5,147,626
Deferred inflows from leases-LT	74,586,591	78,731,253
TOTAL DEFERRED INFLOWS OF RESOURCES	79,912,344	85,071,557
NET POSITION		
Net Investment in capital assets	361,988,692	336,710,644
Restricted: Debt service	_	0.00
Capital projects	30,963,444	26,459,577
Capital projects	30,963,444	26,459,577
Unrestricted	100,128,217	108,603,802
TOTAL NET POSITION	493,080,353	471,774,022
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES		
AND NET POSITION	646,540,667	636,859,379

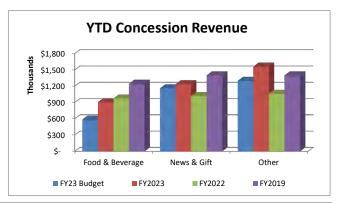


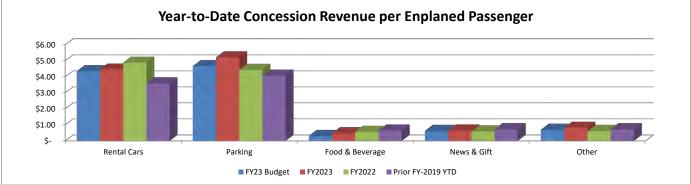


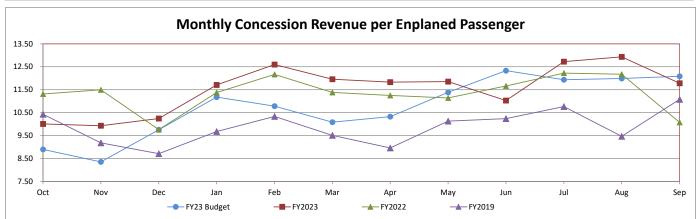


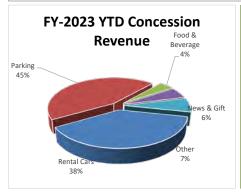


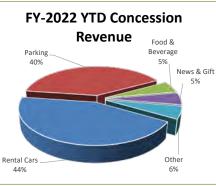


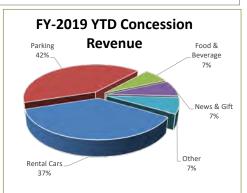


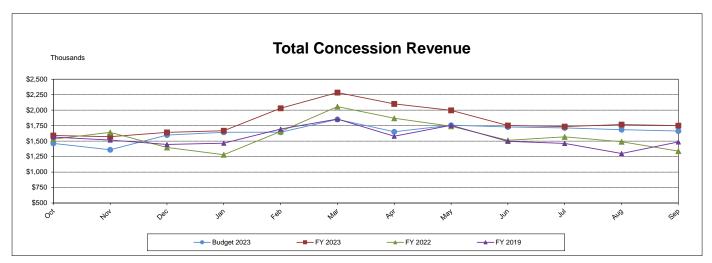


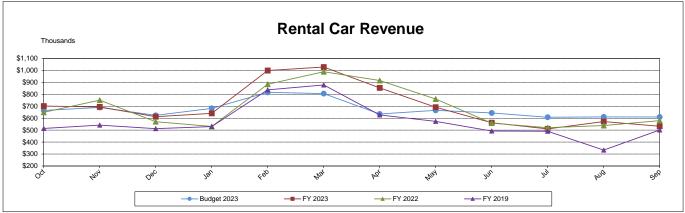


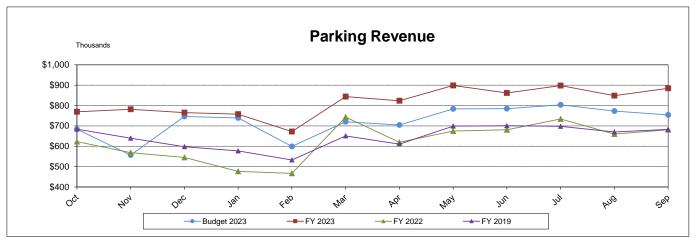


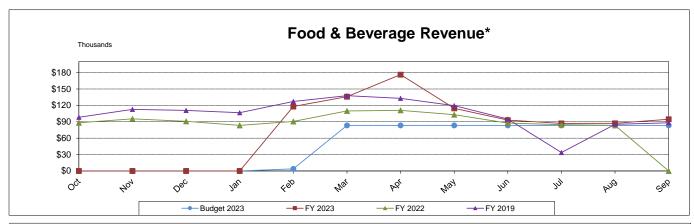


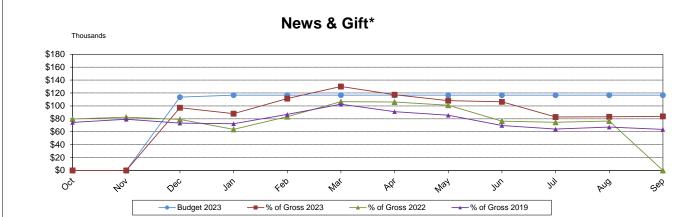


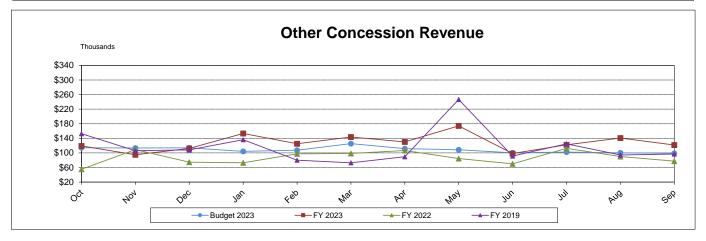




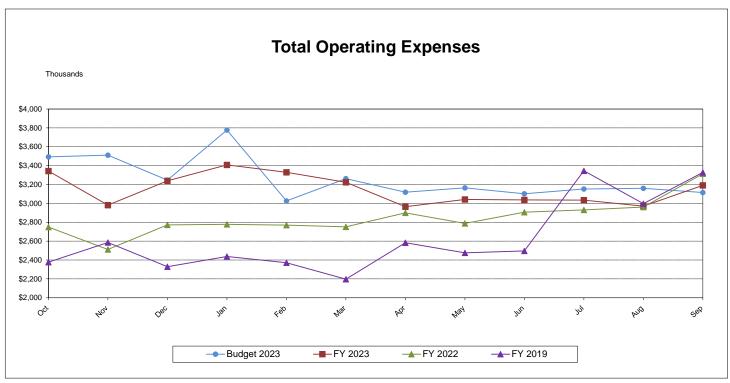


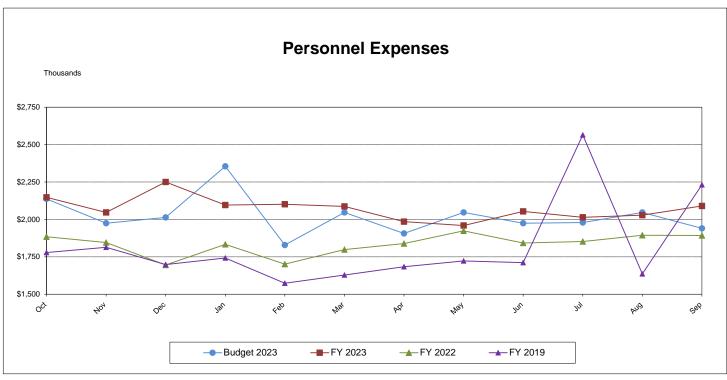


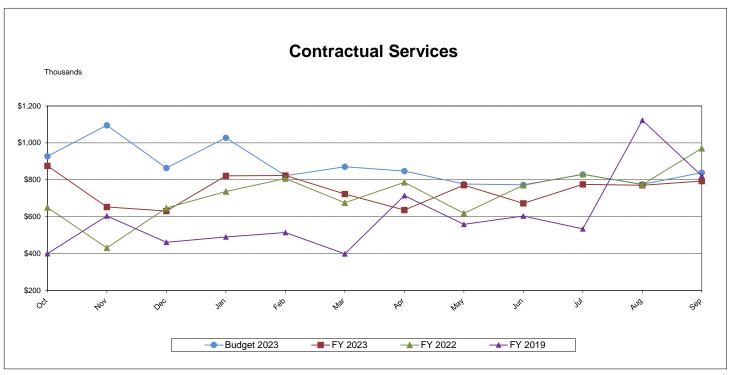


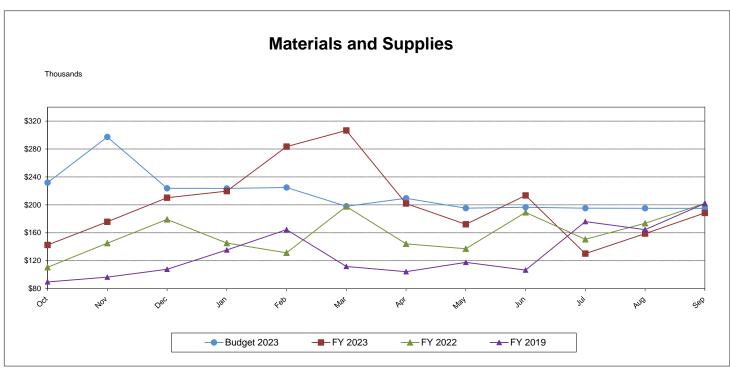


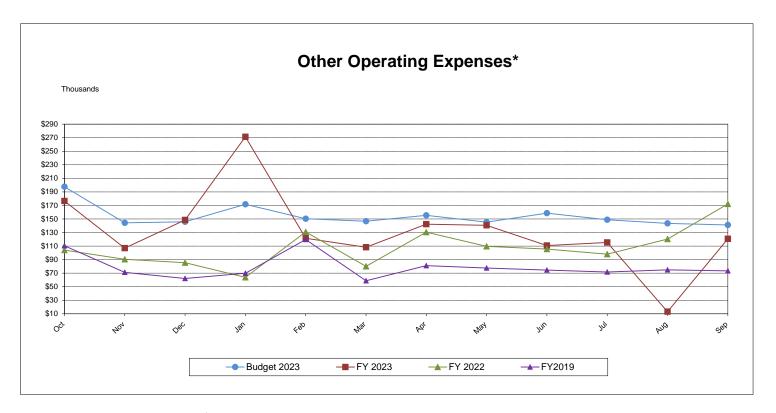
^{*} Minimum Annual Guarantees were waived from April 2020 to September 2021. Additionally, TAA provided monthly invoice credits for concession tenants beginning in September 2022, in accordance with the ARPA concession relief plan submitted to the FAA. These credits will appear as reimbursements from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



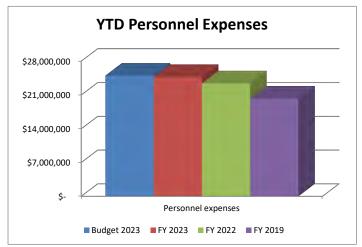


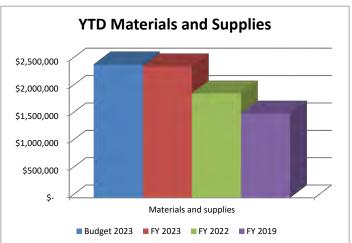


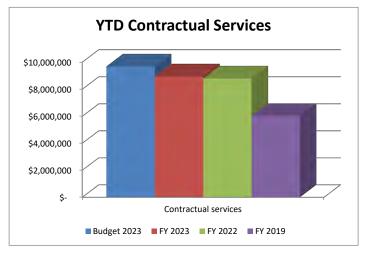


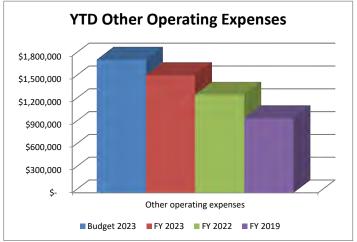


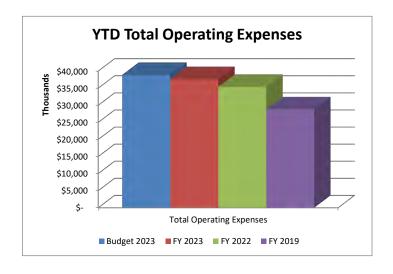
^{*} January 2023 includes an un-budgeted one-time payment of \$110K for the repair of the metal panels of the damaged departure-level overhang.













Date: January 22, 2024

To: Board of Directors

From: Kim Allison, Chief Financial Officer

Re: Aviation Activity and Statistics for September 2023

Total Passengers (YTD vs prior year):

- Total passengers for the month of September 2023 were 8.6% higher than prior year and
 5.1% higher than September 2019 (Pre-COVID).
- Total passengers year-to-date through September 2023 were 10.1% higher than the same period last year and 3.4% lower than the same period in FY 2019.

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

- The month of September had an average daily departure count of 51.4, which is 12.0 higher than September 2022.
- Additional American flights to DFW, LAX and PHX
- Additional Southwest flight to San Diego

Average Daily Seat capacity (YTD vs prior years):

- Seat capacity for September 2023 was 28.8% higher than September 2022 and 20.1% higher than September 2019.
- YTD, seat capacity was 13.5% higher than the same period in 2022 and 2.1% lower than the same period in 2019 (Pre-COVID).

Load Factors (MTD & YTD vs prior years):

- The load factor for September was 78.3%, which is 11.8% lower than September 2022 and 6.6% lower than September 2019.
- YTD, the load factor was 86.6%, which is 0.4% lower than the same period in 2022 and 3.0% higher than the same period in 2019.

Aircraft Operations (MTD & YTD vs prior year):

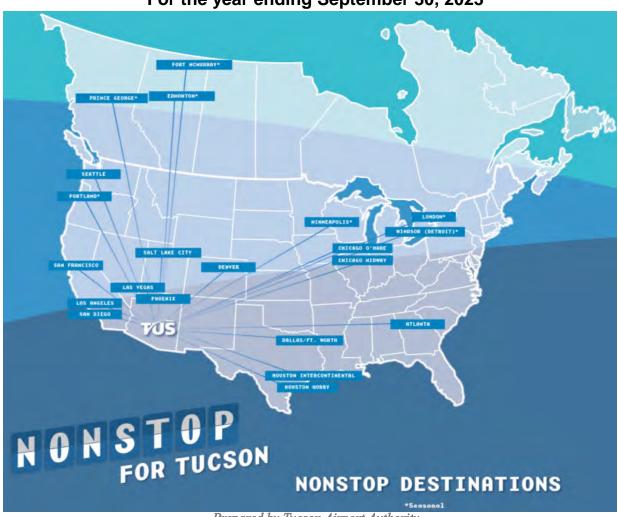
- Freight, measured in pounds, is 4.5% lower in September compared to the same month last year and 5.47% lower year-to-date than the same period in 2022.
- Total aircraft operations were 3.4% higher in September than the same month last year, with increases in all aircraft operations categories except military and general aviation.
- Year-to-date operations are 13.3% higher compared to prior year, with increases in all aircraft operations categories except general aviation.



AVIATION ACTIVITY REPORTS

Tucson International Airport (TUS)

For the year ending September 30, 2023



Prepared by Tucson Airport Authority
Finance Department

TUCSON AIRPORT AUTHORITY TUS ACTIVITY OVERVIEW

				Fisca		
PASSENGERS*	Sep-23	Sep-22	% CHANGE	2023	2022	% CHANGE
ENPLANED	148,612	132,767	11.9%	1,879,913	1,686,183	11.5%
DEPLANED	133,591	127,162	5.1%	1,773,320	1,631,311	8.7%
TOTAL	282,203	259,929	8.6%	3,653,233	3,317,494	10.1%

^{*}Passenger figures include non-revenue passengers.

LANDED WEIGHT**

AIR CARGO	12,814	13,148	-2.5%	157,896	159,669	-1.1%
AIR CARRIER	158,832	136,325	16.5%	2,030,874	1,802,550	12.7%
TOTAL	171,646	149,473	14.8%	2,188,770	1,962,219	11.5%

^{**}In thousand pound units.

FREIGHT (in pounds)

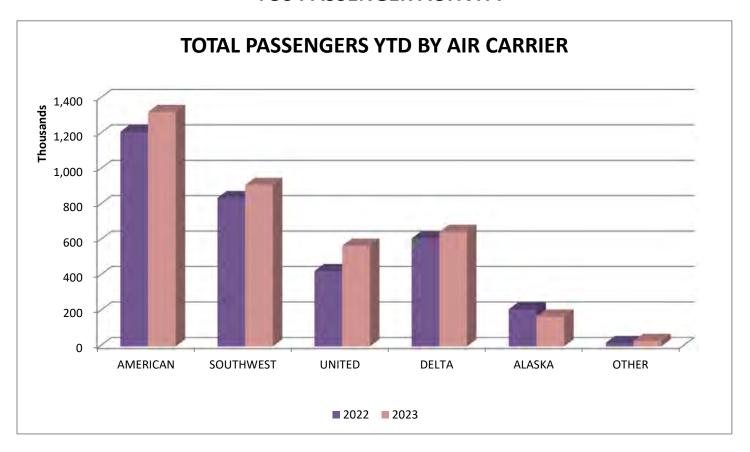
ENPLANED	2,544,512	2,608,515	-2.5%	30,899,669	31,492,620	-1.9%
DEPLANED	2,756,579	2,942,437	-6.3%	32,512,266	35,589,384	-8.6%
TOTAL	5,301,091	5,550,952	-4.5%	63,411,935	67,082,004	-5.5%

MAIL (in pounds)

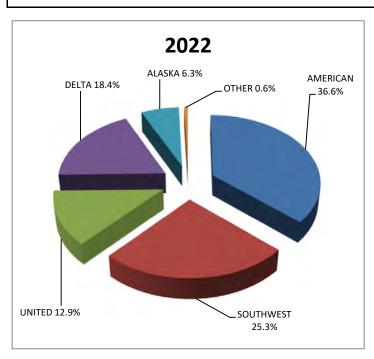
ENPLANED	85	0	100.0%	277	4,453	-93.8%
DEPLANED	85	0	100.0%	291	2,814	-89.7%
TOTAL	170	0	100.0%	568	7,267	-92.2%

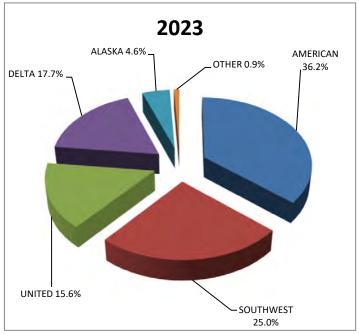
AIRCRAFT OPERATIONS

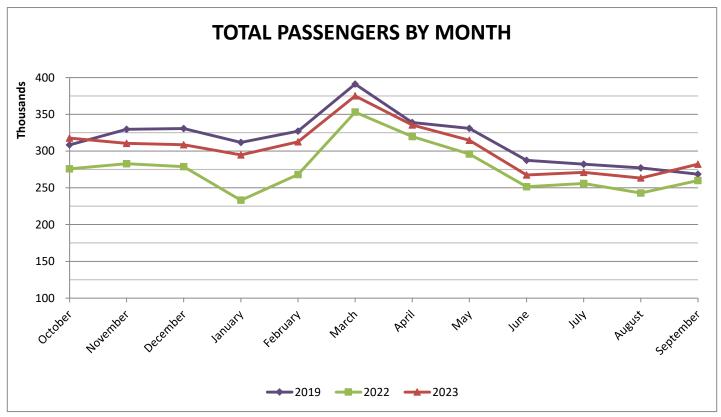
AIR CARRIER	2,956	2,369	24.8%	35,730	31,991	11.7%
AIR TAXI	3,626	1,398	159.4%	33,343	18,087	84.3%
MILITARY	1,816	2,673	-32.1%	30,354	25,783	17.7%
GENERAL AVIATION	3,136	4,713	-33.5%	56,227	61,512	-8.6%
TOTAL	11,534	11,153	3.4%	155,654	137,373	13.3%

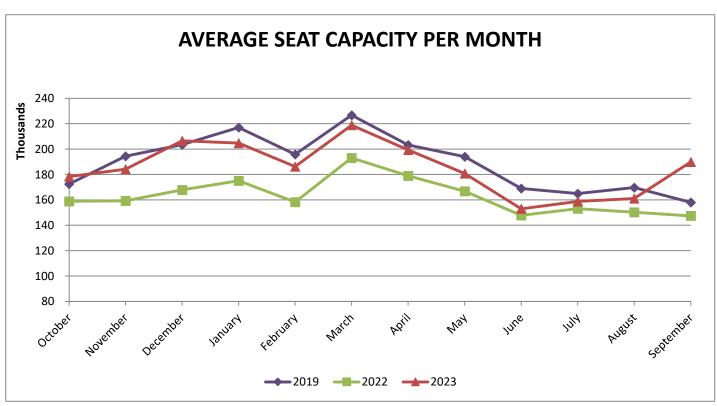


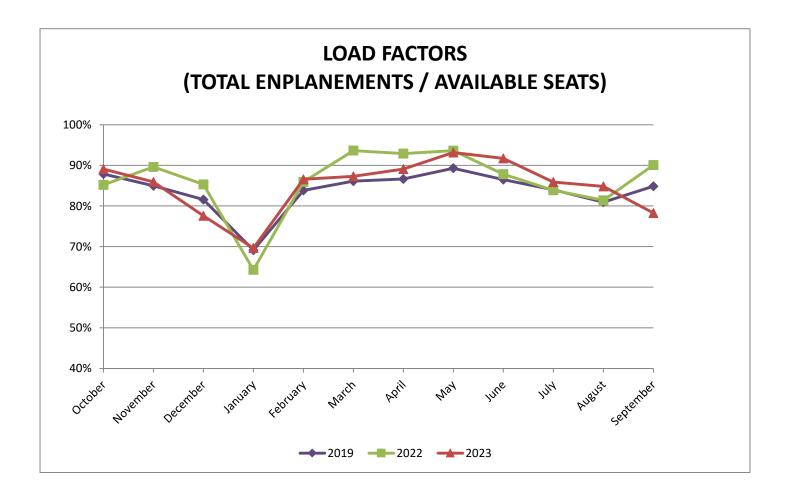
AIR CARRIER MARKET SHARE











TUS MONTHLY FLIGHT SCHEDULE SUMMARY

	Avera	Average Daily Departures			Average Daily Seats		
NONSTOP DESTINATIONS and Airline	Code	Current Year	Prior Year	Difference	Current Year	Prior Year	Difference
ATLANTA	ATL	2.0	2.0	0.0	376	376	0
Delta (2)	7			0.0	0.0	0.0	
DENVER	DEN	7.1	5.7	1.4	923	641	282
United (3.9), Southwest (3.2)							
DALLAS/FT WORTH	DFW	5.8	5.8	0.0	1,101	1,047	54
American (5.8)					, -	, -	
HOUSTON HOBBY	HOU	1.0	0.9	0.1	152	131	21
Southwest (1)							
HOUSTON BUSH	IAH	2.0	2.0	0.0	255	155	100
United (2)							
LAS VEGAS	LAS	3.8	2.9	0.9	607	464	143
Southwest (3.8)							
LOS ANGELES	LAX	7.0	6.3	0.7	615	613	2
Delta (2.7),American (3) Southwest (1.3)							
CHICAGO MIDWAY	MDW	0.3	0.2	0.1	46	41	5
Southwest (.3)							
CHICAGO O'HARE	ORD	2.5	1.0	1.5	377	175	202
American (1.5) United (1)							
PHOENIX	PHX	8.1	3.5	4.6	699	379	320
American (8.1)							
SAN DIEGO	SAN	1.9	1.1	0.8	317	179	138
Southwest (1.9)							
SEATTLE/TACOMA	SEA	3.0	3.0	0.0	359	362	(3)
Alaska (2) Delta (1)							
SAN FRANCISCO	SFO	2.0	2.0	0.0	143	125	18
United (2)							
SALT LAKE CITY	SLC	3.0	3.0	0.0	209	225	(16)
Delta (3)							
TOTAL		51.4	39.4	12.00	6,331	4,913	1,418