
TUCSON AIRPORT AUTHORITY | Board of Directors
Wednesday, March 6, 2024 | 3:00 p.m. | [Microsoft Teams](#)

Pursuant to A.R.S. § 38-431.02, notice is hereby given to the members of the Tucson Airport Authority (TAA) and to the public that the **Board of Directors** will hold a meeting open to the public on **Wednesday, March 6, 2024, beginning at 3:00 p.m.** Directors and the public may attend virtually.

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

The agenda for the meeting is as follows:

1. CALL TO ORDER | ROLL CALL

- | | |
|--|---|
| <input type="checkbox"/> Keri Silvyn, Chair | <input type="checkbox"/> Mike Hammond, Vice Chair |
| <input type="checkbox"/> Phil Swaim, Secretary | <input type="checkbox"/> Vance Falbaum, Treasurer |
| <input type="checkbox"/> Judy Rich, Director | <input type="checkbox"/> Todd Jackson, Director |
| <input type="checkbox"/> Calline Sanchez, Director | <input type="checkbox"/> Fran Katz, Director |
| <input type="checkbox"/> Rhonda Piña, Director | <input type="checkbox"/> Ellen Wheeler, Director |

2. CONSENT AGENDA

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

Approval of Minutes

Approve the minutes of the Board of Directors Regular Meeting held on January 22, 2024.

3. BOARD CHAIR REPORT

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

4. PRESIDENT/CEO REPORT

State of the Industry | Update

5. ACTION ITEM

**Skywest Airlines Hangar Development
MRO-50 Development Area Construction Improvements**

The Board of Directors will consider and may adopt Resolution No. 2024-06 authorizing the President/CEO or her designee(s), on behalf of TAA, to contribute approximately \$1,547,167 in combined internal financing and rent credits in support of the Skywest Airlines Hangar Development and future development in the location of the TUS airfield known as MRO-50 development Area.

6. DIVISION UPDATES

At the discretion of the Board Chair, the Board of Directors may receive a short presentation or ask questions of division representatives based upon material in the Board packet.

- a. **Finance and Regulatory Administration**
- b. **Marketing and Air Service Development**
- c. **Airport Development | Airfield Safety Enhancement (ASE) Project Update**

7. EXECUTIVE SESSION

- a. **President/CEO Employment Contract:** The Board of Directors may vote to discuss and to consult with the TAA attorney(s) to consider TAA's position and instruct its attorneys regarding the employment contract with President/CEO Danette Bewley pursuant to A.R.S. §§ 38-431.03(A)(1) & (4).
- b. **Environmental Matters with EPA and ADEQ - Tucson Airport Remediation Project, Soils Remediation Project, PFAS Issues:** The Board of Directors may vote to discuss and to consult with the TAA attorney(s) for legal advice regarding matters pertaining to the Tucson Airport Remediation Project (TARP), including the remediation of per- and polyfluoroalkyl substances (PFAS) and TAA engagement with the Environmental Protection Agency, the Arizona Department of Environmental Quality, the United States Air Force, and the City of Tucson pursuant to A.R.S. §§ 38-431(A)(3) & (4).

8. RETURN FROM EXECUTIVE SESSION

9. NEXT MEETING

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

10. ADJOURN

**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**

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

1. CALL TO ORDER | ROLL CALL

Chair Silvyn called the meeting to order at 10:14 a.m.

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

Directors Absent: Director Judy Rich and Director Calline Sanchez

Others Present: TAA Member Lydia Aranda

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, Chief Technology Officer Anthony Casella, Chief Communications Officer Austin Wright, Deputy General Counsel Kim Outlaw Ryan, IT Customer Support Technician Hector Lopez, and TAA Clerk Byron Jones

2. ELECTION OF OFFICERS

TAA Clerk Byron Jones reported that the Nominating Council recommended the following slate of corporate officers for 2024: Vice Chair Mike Hammond, Secretary Phil Swaim, and Treasurer Vance Falbaum. The Council did not make a recommendation for Treasurer. The Council did not have to make a recommendation for Board Chair as Chair Silvyn's term runs through January 2025.

Motion by Chair Silvyn, seconded by Director Katz, to elect as corporate officers for 2024: Director Hammond (Vice Chair), Director Swaim (Secretary), and Director Falbaum (Treasurer). The motion carried by the following vote:

Ayes (8) Silvyn, Hammond, Swaim, Falbaum, Jackson, Katz, Piña, and Wheeler

Nays (0)

3. BOARD TRAINING | DISCUSSION

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

4. CONSENT AGENDA

- a. Approval of Minutes
- b. Delegation of Grant Authority to the President/CEO for 2024 (Res. No. 2024-01)
- c. 2024 Board of Directors Meeting Schedule (Res. No. 2024-02)
- d. Additional Extension of Rental Car Concessions Contracts (Res. No. 2024-03)
- e. Appointments to Advisory Councils (Res. No. 2024-04)

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

Ayes (8) Silvyn, Hammond, Swaim, Falbaum, Jackson, Katz, Piña, and Wheeler

Nays (0)

5. BOARD CHAIR REPORT

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

Chair Silvyn reported the following:

- The TAA recently hired several new individuals: Property Administrator Alyssa Akin; Communications Specialist Eric Hermenitt; and GIS Specialist Max Meshel.
- Several employees were recently promoted: Laurie Oldford was promoted to Police Sergeant, Morgan Holland was promoted to Police Detective, and Juan Castro was promoted to Police Corporal.
- Director of Properties and Concessions Emin Aydin and Manager of Concessions and Ground Transportation Kathleen Stalter recently earned their United States Airport Professional Program (USAP) designation. The USAP program is training conducted by Airports Council International and covers a full range of current airport management topics, such as leadership

development, business strategy, commercial management, finance, operations, safety, security, and air service.

6. PRESIDENT/CEO REPORT

a. State of the Industry | Update

President/CEO Danette Bewley reported the following:

- ❑ 2023 was an incredible year to celebrate in terms of air service recovery after the pandemic. TUS finished 10% higher than 2022, with nearly 3.8 million passengers travelling through the airport.
- ❑ Passenger volume surpassed pre-pandemic levels in the fourth quarter, indicating that TUS has fully recovered from the pandemic based on that metric.
- ❑ TUS launched new nonstop service to Orange County, California (SNA), while welcoming back pre- pandemic markets such as Dallas Love Field (DAL), Chicago Midway (MDW), Portland, Oregon (PDX, and Everett, Washington (PAE).
- ❑ TAA selected Cat5 as its new insurance broker. TAA Member Brandt Hazen and TAA Member Edmund Marquez served on the section committee and did an awesome job.

b. Strategic Plan | Update

At the discretion of the Chair, this update was postponed to a future meeting.

7. PRESENTATION/DISCUSSION

FAA Compliance Audit – Final Report

Executive Vice President/General Counsel Chris Schmaltz reported that the TAA received a letter from the FAA stating that it considers all of the items they noted during their financial audit as closed. The result was a success for TAA. Mr. Schmaltz concluded by singling out for praise all employees who supplied information during the audit.

8. ACTION ITEMS

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

Vice President/Chief Revenue Officer John Voorhees presented terms for a new ground lease with Ace DevCo, LLC (AES), a solar company, to develop approximately 1,300-acres of TAA-owned land along the Old Vail Connection Road (Sonora South)

for the development of a solar photovoltaic (PV) array. The parcel currently has on infrastructure beyond that of electricity. The lease was the result of an advertisement for bid TAA put out after determining that the land, which contains a TEP (Tucson Electric Power) substation, is ideal for a PV array. AES proved to be the best respondent in terms of the revenue offered and the likelihood of success, with other major locations in the state.

The term of the lease includes a four-year option period, a 25-year operational period, and two optional five-year extensions. During the option period AES will conduct its due diligence (e.g., glare analysis, interconnection with TEP, and environmental surveys), construct the site, and execute its power purchase agreements.

This is a good opportunity to bring in passive income since TAA does not have to commit funds to improve the parcel. TAA will pursue having the parcel rezoned from Rural Homestead to Heavy Industrial to increase its marketability for when the Sun Corridor (State Route 410) is built.

Motion by Vice Chair Hammond, seconded by Treasurer Falbaum, to authorize 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. The motion carried by the following vote:

Ayes (8) Silvyn, Hammond, Swaim, Falbaum, Jackson, Katz, Piña, and Wheeler

Nays (0)

9. DIVISION UPDATES

a. Finance and Regulatory Administration

Vice President/Chief Financial Officer Kim Allison gave an overview of the September 2023 financials and aviation activity.

- Year-to-date landed weight was 10% above budget due mainly to some airlines using larger aircraft.
- Year-to-date passenger volume was 1.3% below budget which was in line with the projections.
- Revenues were 6.5% above budget and operating expenses were 3.1% below budget.

b. Operations | Federal Aviation Administration – Annual FAR Part 139 Inspection

Executive Vice President/Chief Operating Officer Bruce Goetz reported that field personnel were busy preparing for TUS’s annual FAR Part 139 inspection the third

week of February 2024. The Board of Directors will receive a post-inspection update during the board meeting on March 6, 2024.

10. NEXT MEETING

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

11. ADJOURN

There being no further business to discuss, Chair Silvyn adjourned the meeting at 11:17 a.m.

APPROVED BY:

Prepared by:

Phil Swaim, Secretary

Byron Jones, TAA Clerk

Date: _____

Date: _____



Media Contacts:

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MHIRJ RENEWS COMMITMENT TO TUCSON, AZ ADDING MORE THAN 250 JOBS FOR A&P AND STRUCTURES TECHNICIANS



TUCSON, Ariz., February 22, 2024 — The MHI RJ Aviation Group (MHIRJ), a maintenance, repair, and overhaul services provider to airline fleets globally, is planning to expand its workforce at Tucson International Airport by adding 100 jobs this year, and more than 250 over the course of three years.

MHIRJ intends to increase its capacity to meet customer demand for the maintenance and operational support of the CRJ and other products by activating additional maintenance lines. The CRJ Series aircraft is the benchmark aircraft

utilized in regional aviation, and MHIRJ provides its services for these aircraft in Tucson, AZ, and Bridgeport, WV.

To further improve the performance and efficiency of the operations, MHIRJ has decided to invest in site improvement and hiring additional staff. MHIRJ is confident that adding A&P and Avionics Technicians, Structures Technicians, Machinists/Welders, Crew Chiefs, and NDT Technicians will help achieve this goal.

MHIRJ is organizing a career fair on **Wednesday, February 28, 2024**, and is excited to offer this incredible opportunity to tour the MHIRJ facility, meet the crew, and ask questions. Onsite interviews will be conducted, and MHIRJ is confident that the candidates will have a chance to receive a job offer on the same day. [Click here to learn more about MHIRJ Career Day in Tucson.](#)

Furthermore, to support this growth, MHIRJ has launched a talent attraction initiative called “Live Your Best Life in Tucson,” focusing a national campaign on the benefits of living and working at MHIRJ in Tucson and Southern Arizona. Click [here](#) to see the campaign in action. Sun Corridor Inc. is working closely with MHIRJ on talent attraction, which complements the “[Thrive in Tucson](#)” talent campaign.

“We aim to contribute to the economic growth of Tucson through the continued growth of our maintenance activities. You can expect stability and job security by working for a company like MHIRJ. We are committed to growing our facility to meet the demand coming from the market, and we need people who have the drive and determination to join us in Tucson,” said Ross Mitchell, the Vice-President of Strategy, Business Development, Marketing, Communications, and Business Operations at MHIRJ. “I believe that investing in Tucson’s youth is crucial. The workforce shortage in the aviation sector has made it imperative for aeronautical companies to attract young talent. That’s why, starting in 2024, MHIRJ will support the Pima Community College Foundation by providing six annual scholarships of \$1000 for the next six years [2024- 2029]. He added that “this investment will help raise awareness among Tucson’s young people about the career opportunities in the aviation sector.”

Project partners include Sun Corridor Inc., Pima County, Arizona Commerce Authority, the City of Tucson, Tucson Airport Authority, and Pima Community College.

“Pima County is a strong partner in workforce development for the aerospace and defense industry, including maintenance, repair, and overhaul facilities like MHIRJ. We are known nationally for training high-performing aviation technicians and other critical positions in MRO operations,” said Rex Scott, District 1 supervisor and vice chair of the Pima County Board of Supervisors. “I am thrilled to see MHIRJ expand here in Pima County to serve their customer base successfully and look forward to continuing to support their endeavors far into the future.”

“I am happy to see that the MHIRJ Aviation Group, part of the Mitsubishi Heavy Industries family, will expand its operations while adding more than 250 high-wage jobs to Tucson,” said Regina Romero, Tucson’s mayor. “It confirms that our region has the qualified workforce and workforce development partners to continue leading in the aviation space. I am proud to support MHIRJ’s recruiting efforts together with Sun Corridor’s ‘Thrive in Tucson’ campaign that is attracting more young talent to Southern Arizona.”

“This expansion demonstrates the confidence MHIRJ has in the value proposition of Tucson as a leader in the aerospace and aviation industry,” said Joe Snell, president and CEO of Sun Corridor Inc. “Our region’s aerospace, defense, and aviation employers rely on the skilled graduates of Pima Community College’s Aviation Technology Center, among other strong workforce development and training efforts. We’re fully committed to supporting MHIRJ and thrilled they have selected Tucson for this expansion.”

“The Tucson Airport Authority (TAA) is pleased to partner with MHIRJ as they expand their presence at Tucson International Airport (TUS). We look forward to many years of continued success in Tucson,” said Danette Bewley, president and CEO of TAA. “When our airport businesses thrive, our community thrives.”

“We are excited the MHI RJ Aviation Group has chosen to expand its aircraft maintenance operations in Tucson,” said Sandra Watson, president and CEO of

Arizona Commerce Authority. “As an aviation industry leader with a reputation for excellence, MHIRJ will further enhance Southern Arizona’s robust aerospace and aviation industry and create even more skilled jobs in Southern Arizona.”

“We’re extremely thankful for the scholarship opportunities that MHIRJ is creating for our students,” said Jason R. Bowersock, director of aviation at Pima Community College (PCC). “For many of our full-time students, pursuing their mechanic’s certificate while working is difficult. Contributions from our generous industry partners help ensure our students’ academic success.”

About the MHI RJ Aviation Group

The MHI RJ Aviation Group (MHIRJ) provides comprehensive critical operational, engineering, and customer support solutions, including maintenance, refurbishment, technical publications, marketing, and sales activities for the global and regional aircraft industry. Headquartered in Montréal, Canada, and bolstered by an Aerospace Engineering Centre, MHIRJ’s network of service centres, support offices, and parts depots are positioned in important aviation hubs in the U.S. and Canada. The MHI RJ Aviation Group is a group of companies wholly owned by Mitsubishi Heavy Industries, Ltd. For more information about the MHI RJ Aviation Group, please visit: www.mhirj.com

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SkyWest Airlines (Project Penny)

John Voorhees
Vice President | Chief Revenue Officer

March 6, 2024

SkyWest Airlines at TUS

- Began operating at TUS as an affiliate operator in 2002 (Delta and United)
- Prior Leases:
 - 2110 E Airport Drive (“SkyWest” Building)
 - Aircraft Parking along Taxiways C and H
 - 1-acre parcel to stage Project Penny materials
- Current Subleases:
 - Bombardier Building “X”
 - MHI Building (Big Blue)

Project Penny Concept

14

Acres on MRO 50

160

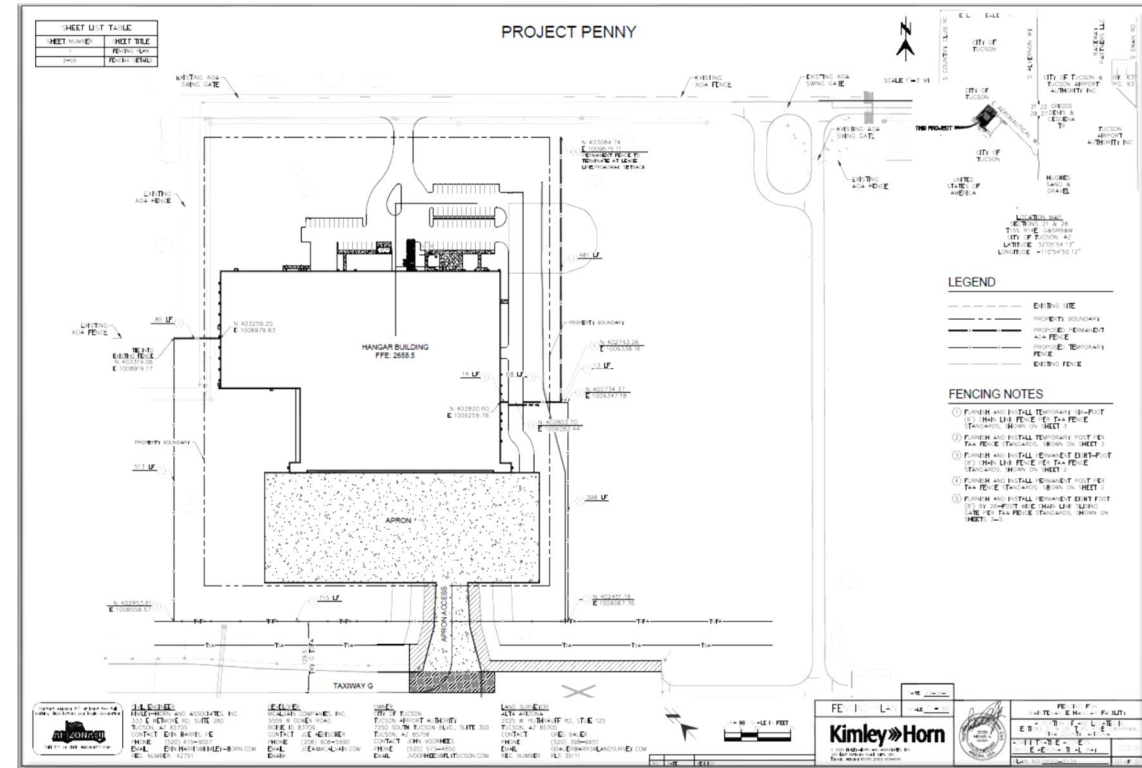
Thousand Square Feet Hangar and Backshop

300

Employees on site

\$50

Million CAPEX



Project Penny Business Terms

- 20-year ground lease / 6 x 5-year extensions
- 14-acres
- \$213,444 annual rent
- Tenant will construct
 - Hangar and Support Facilities
 - Aircraft Apron
 - Access Driveway and parking (landside)
- TAA will construct
 - Water and sewer to site boundary
 - Utility trench for communication, electrical, gas
 - Also responsible for NEPA requirements
- Shared Responsibilities
 - Taxilane Tie-In
 - AOA Fence

Project Penny (MRO 50) Supporting Projects

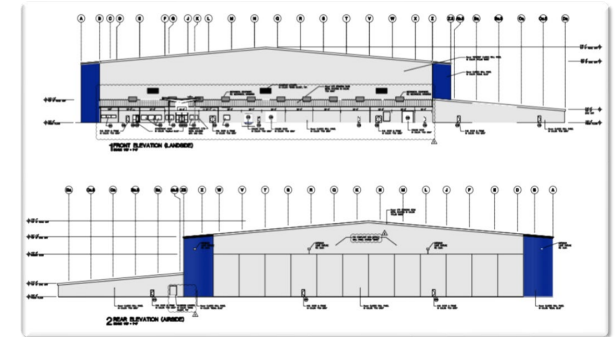


- Aeronautical Way 1000' extension
 - Estimated cost - \$918,404
- Aeronautical Way / Alvernon Way intersection improvements
 - Estimated cost - \$838,567
- TAA Board approved 1,756,971 December 2021

Project Penny Timeline

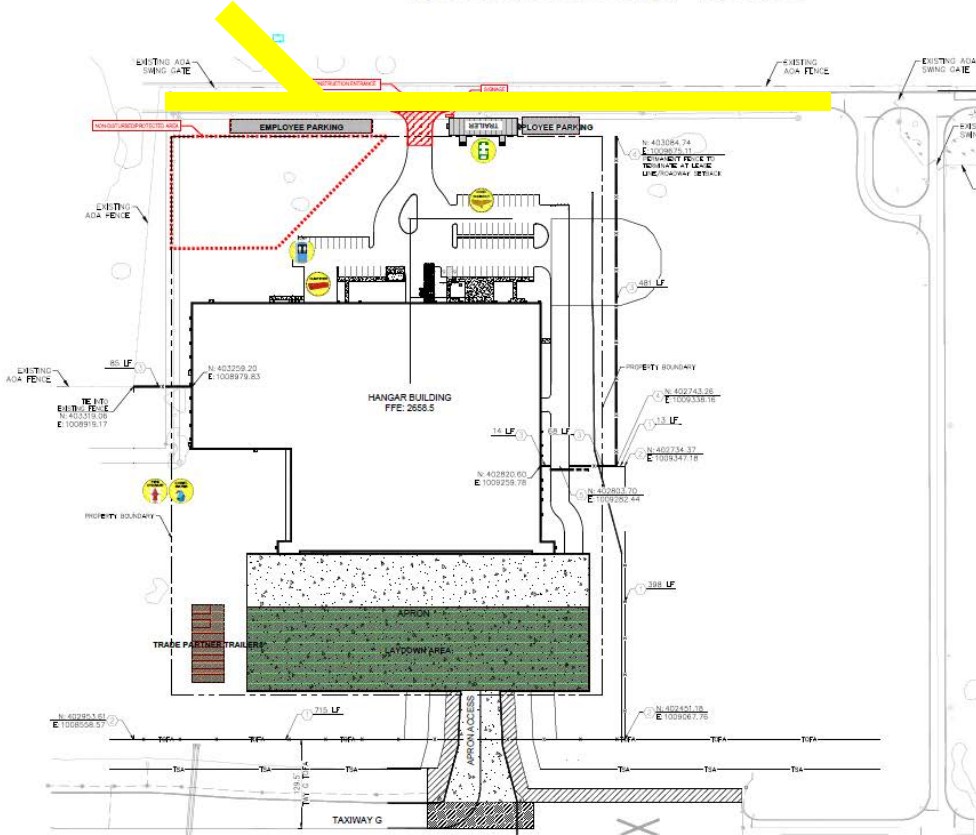


- December 2019 ■ Project Penny begins as SCI economic development project
- December 2021 ■ Business Terms are approved between TAA and SkyWest
■ Board Approves \$1.7M for roadway improvements
- Mid 2022 ■ SkyWest informs TAA that project might need to be rescoped
- Late 2022 ■ Project Penny placed on indefinite hold
- December 2022 ■ SkyWest requests to lease 1920 E Aero Park Blvd as a temporary MRO facility
- January 2023 ■ SkyWest purchase building materials and lease 1-acre of TAA to stage materials
- May 2023 ■ SkyWest reinitiates Project Penny with same scope
- August 2023 ■ TAA Staff request \$746K in FY 24 CIP for MRO 50 development
- January 2024 ■ SkyWest and TAA execute 30-year ground lease for Project Penny



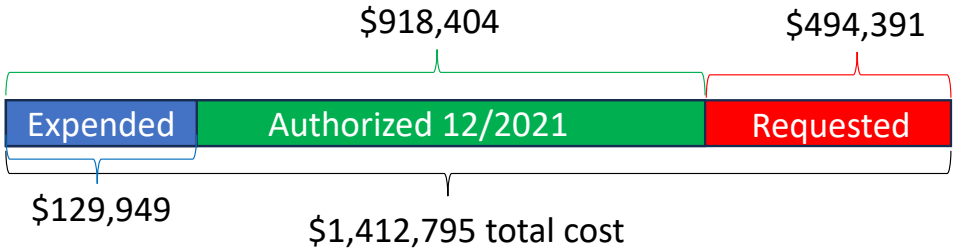
Aeronautical Way Extension

SkyWest Maintenance Hangar - Tucson, AZ

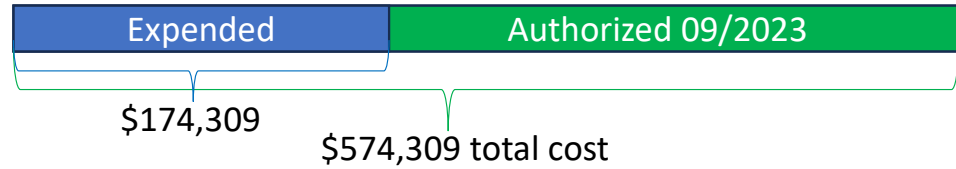


(proposed improvement areas in yellow)

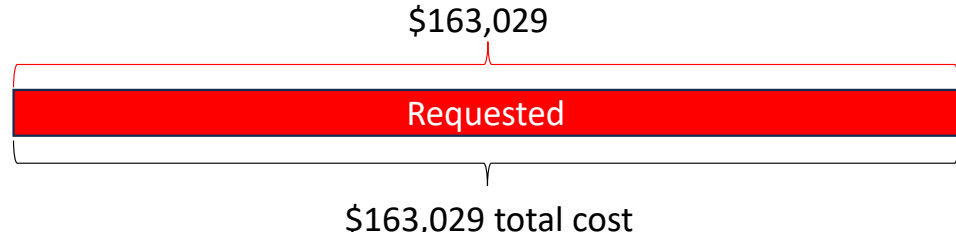
- Install 1000-foot road extension – Special Reserve Fund



- Utility Installation – CIP Funds



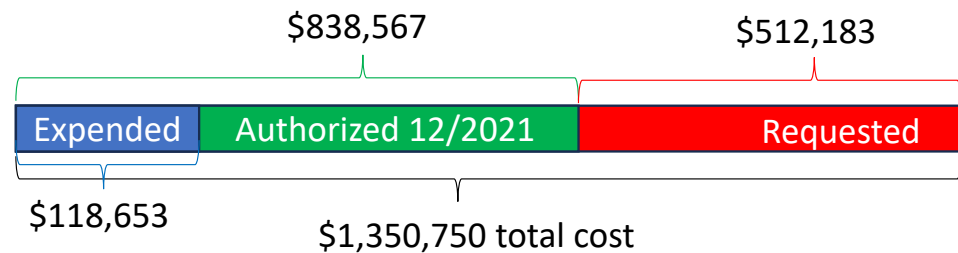
- Storm Drain Construction – amend lease to include credit



Aeronautical Way/Alvernon Way Intersection Improvements

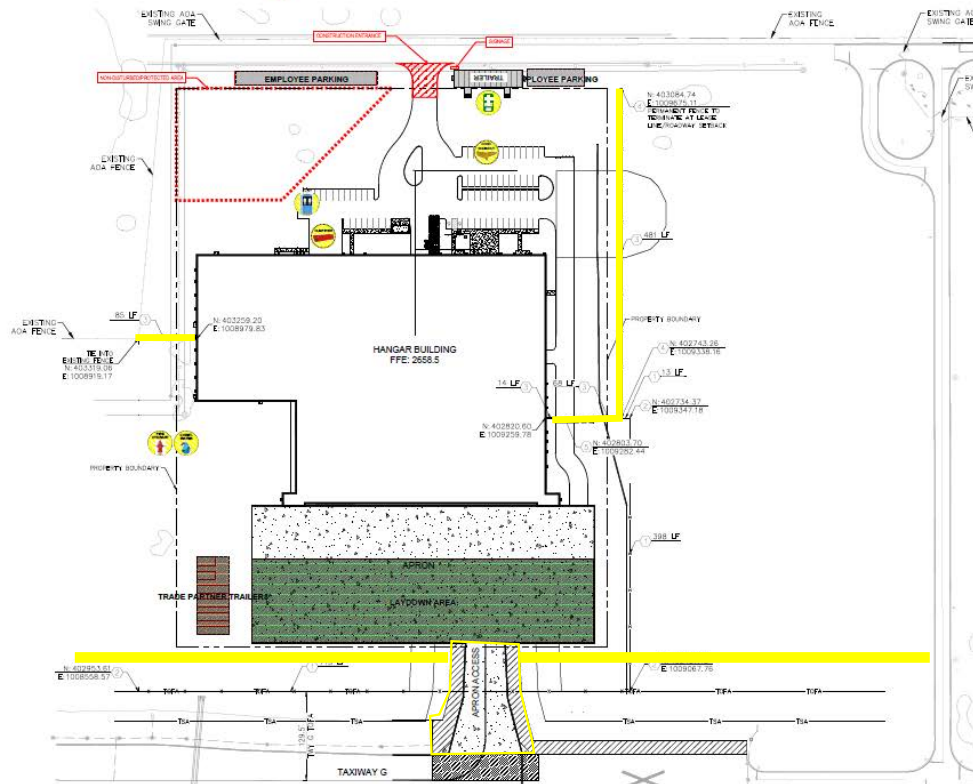


- Road Improvements – Special Reserve Fund
 - Install deceleration land southbound Alvernon Way
 - Install left-hand turn lane northbound Alvernon Way



Airside Site Improvements

SkyWest Maintenance Hangar - Tucson, AZ



(proposed improvement areas in yellow)

- Install AOA Fence – Lease Credits
\$46,578

Authorized 12/2021

\$46,578 total cost

- Taxilane G Tie-In to SkyWest Apron – Lease Credits
\$227,462

Authorized 12/2021

\$227,462 total cost

- Install Vehicle Service Road – CIP/Special Reserve Fund
\$172,436 \$377,564

Authorized 09/2023

Requested

\$550,000 total cost

Supporting Project Cost Breakdown



	Title of Project and subcomponents	Initial Cost Estimate	Approved Funds Requested to Date	Prior Funding Source	Funds Expended	Remaining Funds	Current Cost Estimate	Funds Shortfall (Additional Funds Requested)
1	Aeronautical Way Extension (1000')							
a.	Road Construction	918,404	918,404	12/21 Board Resolution (Special Reserve Fund)	129,949	788,455	1,412,795	-494,391
b.	Utility Construction	0	574,309	CIP Budget 9/23	174,309	400,000	574,309	0
c.	Storm Drain Installation		0	Rent Credit	0	163,029	163,029	-163,029
2	Alvernon Way/Aeronautical Way Intersection Improvements							
a.	Road Construction	838,567	838,567	12/21 Board Resolution (Special Reserve Fund)	118,653	719,914	1,350,750	-512,183
3	Airside Site Improvements							
a.	Airport Operations Area (AOA) fence installation	0	46,578	Rent Credit	0	46,578	46,578	0
b.	Taxiway G Tie-In to SkyWest Apron	0	227,462	Rent Credit	0	227,462	227,462	0
c.	Vehicle Service Road Construction	0	172,436	CIP Budget 9/23	0	0	550,000	-377,564
	Sub Totals	<u>1,756,971</u>	<u>2,777,756</u>		<u>422,911</u>	<u>2,345,438</u>	<u>4,324,923</u>	<u>-1,547,167</u>
	MRO Campus Grand Total Cost	<u>4,324,923</u>						



Thank You!

Date: March 6, 2024

To: Board of Directors
From: John Voorhees, Vice President/Chief Revenue Officer
Re: Construction of Improvements to Support Future Development in the MRO-50 Development Area

Background:

Since 2019, TAA and the local community have been supportive and engaged with SkyWest Airlines to construct an aircraft maintenance, repair, and overhaul (MRO) facility at TUS. Prior to public release, the effort was named Project Penny.

SkyWest Airlines (SkyWest) has been a sub-tenant of Bombardier and Mitsubishi Heavy Industries (MHI) for several years and desires to create its own MRO facility at TUS. SkyWest intends to construct a 160K square foot hangar and support campus over 14 acres in the area of TUS known as MRO-50 (see attached materials). Over the past 4 years, the project has changed scope, been retired, and been reactivated. The tenuous nature of SkyWest's action/inaction has impacted TAA's approach to making the necessary improvements to support future development around the MRO-50 area a priority until the TAA had a fully executed lease with SkyWest.

The purpose of this memo is to provide a timeline of events and expenditures and to seek additional funds to support the development of MRO 50 and the SkyWest construction project.

Timeline

- On December 8, 2021, the TAA Board of Directors approved a resolution authorizing the CEO to execute a 20-year lease with SkyWest (Resolution 2021-27). In the same action, the TAA Board of Directors also authorized a budget amendment in the amount of \$1,756,971 for construction of improvements for landside access to the site (also Resolution 2021-27 based on an early conceptual cost estimate. These roadway improvements included the construction of a one-thousand-foot extension of Aeronautical Way, and the construction of roadway improvements at the intersection of Alvernon Way and Aeronautical Way to comply with City of Tucson Department of Transportation standards (see Exhibit A).
- In late 2022, SkyWest informed TAA that Project Penny was on hold due to corporate decisions regarding the company's expansion plans post-COVID. The project manager for SkyWest assured TAA that the hold was temporary as SkyWest determined the appropriate scope and timeline to construct Project Penny. TAA staff held the project and the Board-approved funds while awaiting a final decision on the project from the SkyWest corporate office.

- In December 2022, SkyWest approached TAA to request the use of TAA’s new MRO hangar (1920 East Aero Park Blvd). SkyWest was concerned that the company’s existing sublease with Bombardier would expire before they could construct Project Penny. This accommodation was viewed as temporary while Project Penny was being designed and constructed. The arrangement was complicated by the fact that the Airfield Safety Enhancement Project (ASE) had begun construction in the area and the taxiway serving the new hangar was scheduled for demolition and reconstruction during the proposed lease period. Negotiations began, cost estimates were completed, and terms were drafted to accommodate the airline in TAA’s new hangar. Eventually, this plan was deemed unfeasible, and focus was again placed on accomplishing Project Penny. TAA staff requested Bombardier extend SkyWest’s sublease on their behalf. The Bombardier-SkyWest sublease was extended to December 2024.

- In January 2023, SkyWest informed TAA that the building materials for Project Penny had been procured and SkyWest desired to stage them on a portion of the proposed leasehold. TAA staff had to ask FAA to expedite an environmental approval (CATEX) to assist SkyWest with this unplanned action. Upon a fast-tracked FAA approval process, TAA executed a two (2)-year ground lease for SkyWest to store the building materials of Project Penny on one (1)-acre of land near the proposed site of Project Penny. Though the project had not been restarted this was viewed as a positive sign for the project. This lease is currently in effect.

- In May 2023, SkyWest reinitiated Project Penny. The scope was unchanged, and the timeline was approximately 18 months to completion (December 2024). TAA and SkyWest immediately began regular discussions regarding the terms of the agreement reached in December 2021 to understand the details that would be required to complete the project. The discussions included negotiation of the fiscal and project responsibility for each of the project components. Including the prior approved roadway construction projects, TAA and SkyWest staff determined that the following major supporting tasks would need to be completed to support Project Penny:
 1. Aeronautical Way Extension (1000’)
 - a. Road Construction
 - b. Utility Installation
 - c. Storm Drain Installation
 2. Alvernon Way/Aeronautical Way Intersection Improvement
 - a. Road construction
 3. Airside Site Improvements
 - a. Airport Operations Area (AOA) fence installation
 - b. Taxiway G Tie-In to SkyWest Apron
 - c. Vehicle Service Road Construction

As the discussion matured, it became apparent that the cost to TAA to support the project had increased. The terms initially proposed to the TAA Board were very broad and did not include sufficient construction cost detail to account for the landside projects (items 1 and 2 above). Furthermore, elements of the landside projects directly support Project Penny, while others were for the general development of the MRO 50 campus. In addition, inflationary impacts were not a factor at that time.

During the FY 23/24 budget development process, TAA staff requested an allocation of \$746K to the Resource Allocation Plan to begin the design and construction of the landside improvements.

- On January 7, 2024, a 30-year land lease was executed with SkyWest. TAA staff have given SkyWest a “Notice to Proceed” for the construction of the hangar and support facilities. The support projects for which TAA is responsible are now better defined. As a result, there are some cost adjustments necessary to complete Project Penny as planned. The cost analysis and requirements are provided below.

Strategic Plan | Analysis:

The proposed development supports the Strategic Plan initiative to Expand Prosperity. Improvements installed now will support the SkyWest development and will support future development for the remaining land within MRO 50. This project supports TAA’s ongoing efforts to diversify revenue for the airport system.

Cost Analysis:

The revenue generated by the ground lease to SkyWest Airlines is \$237,838 per year or \$11,315,242 (assuming a nominal 3% annual CPI escalation) over the 30-year initial term of the lease.

As the planning process has matured and inflation has increased costs, staff has reevaluated the financial need to complete the Project Penny. Each of the three supporting projects is in design or execution. The attached spreadsheet (see Exhibit B) charts the expenses for each of the three projects that support Project Penny and the further build out of the MRO 50 area:

1. **Aeronautical Way Extension**

Of the \$1.7M requested in December 2021, \$918,404 were allocated to this specific project and \$129,949 have been expended thus far. The expense has been to design the roadway and utility infrastructure required. The utility project estimate was conducted later and remains unchanged from the time of the original request. Funds to install the utilities are sufficient to complete that project. The current cost estimate to complete the road project is \$1,412,795. Cost increases and scope changes, as the project evolved since 2021, contributed to the escalated estimate. This leaves the project \$494,391 short of the required funding. The remaining funds will be used to complete the construction project.

A storm drain installation project has been added to the scope of the infrastructure improvements along Aeronautical Way. This project will cost approximately \$163,029. TAA and SkyWest agreed to fund the installation through lease credits to SkyWest. With the Board's approval, staff will amend the SkyWest ground lease to add this project and the funding source to the work letter.

2. Alvernon Way/Aeronautical Way Intersection Improvements

This project represented \$838,567 of the \$1.7M originally requested in December 2021. Of this, \$118,653 of the funds have been expended in the design process. Current estimates to complete this project are \$1,350,750. Again, this is due to cost escalation and the evolution of the design process. The new cost estimate leaves this project \$512,183 short of the required funds to complete. These funds will be used to complete design and construct a southbound deceleration lane and a northbound left turn lane along Alvernon Way.

3. Airside Site Improvements

As part of the lease negotiations, TAA and SkyWest agreed to share the cost to install a new AOA fence and to construct a Tie-In to Taxilane G. SkyWest (through their general contractor Big-D Construction) will execute both of these projects initially at their expense. SkyWest will be reimbursed for the cost of the two projects through lease credits which will be applied at the beginning of the lease. The TAA cost to install the AOA fence is \$46,578. The TAA cost to construct the Tie-In is \$227,462.

In addition to the AOA fence and Tie-In, TAA must reroute the current vehicle service road around the SkyWest leasehold. Vehicles currently traverse Taxilane G to access the perimeter service road. Once SkyWest completes its project, the Taxilane will become active and part of the Non-Movement Area of the Air Operations Area, and unavailable to vehicle traffic. The cost of this project will be \$550,000. TAA staff applied \$172,436 of the FY 23/24 CIP funding to this project. No money has been spent thus far which leaves the vehicle service road project \$377,564 short of the funding required to complete.

In total, TAA staff requests the Board authorize an additional \$1,547,167 in funding to support the development of the MRO 50 campus. The storm drain project will be funded through lease credits; therefore, the \$163,029 to support this project can be subtracted from the total. Staff will need to amend the current ground lease to memorialize this agreement. TAA will need to provide \$1,384,138 in capital funds to construct the supporting infrastructure (Project 1013529). TAA staff recommends that the source of these funds come from the TAA Special Reserve Fund as a Special Reserve Loan for these outlined projects. Future SkyWest lease payments, when they begin, will be applied to pay back the Special Reserve Loan.

Normally, staff would provide a return-on-investment calculation to assess the benefit of the business arrangement. However, at this stage, it is difficult to calculate a direct return on investment for the SkyWest lease. Much of the work related to the landside development will be

leveraged to develop the remainder of the MRO campus. For example, Ascent Aviation will develop a parcel to the east of Project Penny for its permanent engine test facility. The company will benefit from the utility work and the service road construction on their proposed leasehold. At the end of February, TAA hosted a site visit from an aircraft manufacturing company as well. As other companies desire to construct aeronautical facilities, the cost to fund these projects will be recovered through SkyWest and other area tenant revenue.

Recommendation:

TAA management recommends that the Board adopt Resolution No. 2024-06 authorizing the President/CEO or her designee(s), on behalf of TAA, to contribute approximately \$1,547,167 in combined internal financing and rent credits in support of the Skywest Airlines Hangar Development and future development in the location of the TUS airfield known as MRO-50 development Area.

Exhibit A: Site Improvements

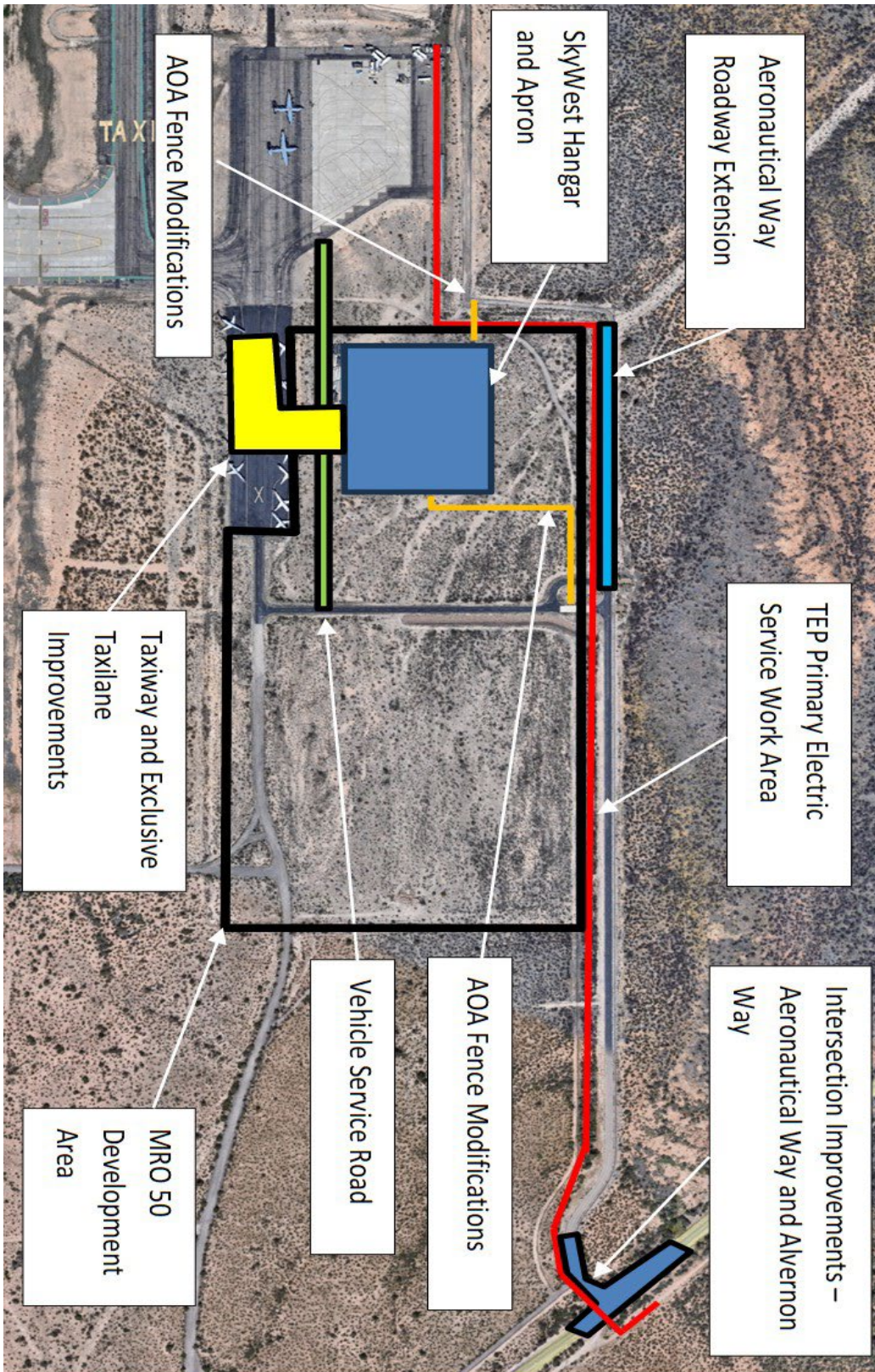


Exhibit B: Cost Spreadsheet

	Title of Project and subcomponents	Initial Cost Estimate	Approved Funds Requested to Date	Prior Funding Source	Funds Expended	Remaining Funds	Current Cost Estimate	Funds Shortfall (Additional Funds Requested)
1	Aeronautical Way Extension (1000')							
a.	Road Construction	918,404	918,404	12/21 Board Resolution (Special Reserve Fund)	129,949	788,455	1,412,795	-494,391
b.	Utility Construction	0	574,309	CIP Budget 9/23	174,309	400,000	574,309	0
c.	Storm Drain Installation		0	Rent Credit	0	163,029	163,029	-163,029
2	Alvernon Way/Aeronautical Way Intersection Improvements							
a.	Road Construction	838,567	838,567	12/21 Board Resolution (Special Reserve Fund)	118,653	719,914	1,350,750	-512,183
3	Airside Site Improvements							
a.	Airport Operations Area (AOA) fence installation	0	46,578	Rent Credit	0	46,578	46,578	0
b.	Taxiway G Tie-In to SkyWest Apron	0	227,462	Rent Credit	0	227,462	227,462	0
c.	Vehicle Service Road Construction	0	172,436	CIP Budget 9/23	0	0	550,000	-377,564
	Sub Totals	<u>1,756,971</u>	<u>2,777,756</u>		<u>422,911</u>	<u>2,345,438</u>	<u>4,324,923</u>	<u>-1,547,167</u>
	MRO Campus Grand Total Cost	4,324,923						

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE TUCSON AIRPORT AUTHORITY, INC., AUTHORIZING THE PRESIDENT/CEO OR HER DESIGNEE(S), ON BEHALF OF TAA, TO CONTRIBUTE APPROXIMATELY \$1,547,167 IN COMBINED INTERNAL FINANCING AND RENT CREDITS IN SUPPORT OF THE SKYWEST AIRLINES HANGAR DEVELOPMENT AND FUTURE DEVELOPMENT IN THE LOCATION OF THE TUS AIRFIELD KNOWN AS MRO-50 DEVELOPMENT AREA.

WHEREAS the Tucson Airport Authority (TAA) supports the development of an Aircraft Maintenance, Repair, and Overhaul (MRO) facility on TUS property to be operated by Skywest Airlines; and

WHEREAS the proposed development furthers the TAA’s Strategic Plan initiative to Expand Prosperity in that it will support the SkyWest development as well as future development for the remaining land within the MRO-50 Development Area; and

WHEREAS the Board of Directors accepts the staff recommendations as detailed in the Board Memorandum, which is attached to this resolution and incorporated herein by reference.

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, on behalf of TAA, to contribute approximately \$1,547,167 in combined internal financing and rent credits in support of the Skywest Airlines Hangar Development and future development in the location of the TUS airfield known as MRO-50 development Area.

PASSED AND ADOPTED by the Board of Directors of the Tucson Airport Authority, Inc., this sixth day of March, 2024.

Keri Silvyn, Chair of the Board

ATTEST:

APPROVED AS TO FORM:

Phil Swaim, Secretary

Christopher Schmaltz, Executive Vice
President and General Counsel



November 2023 Financial Highlights

Board of Directors Meeting

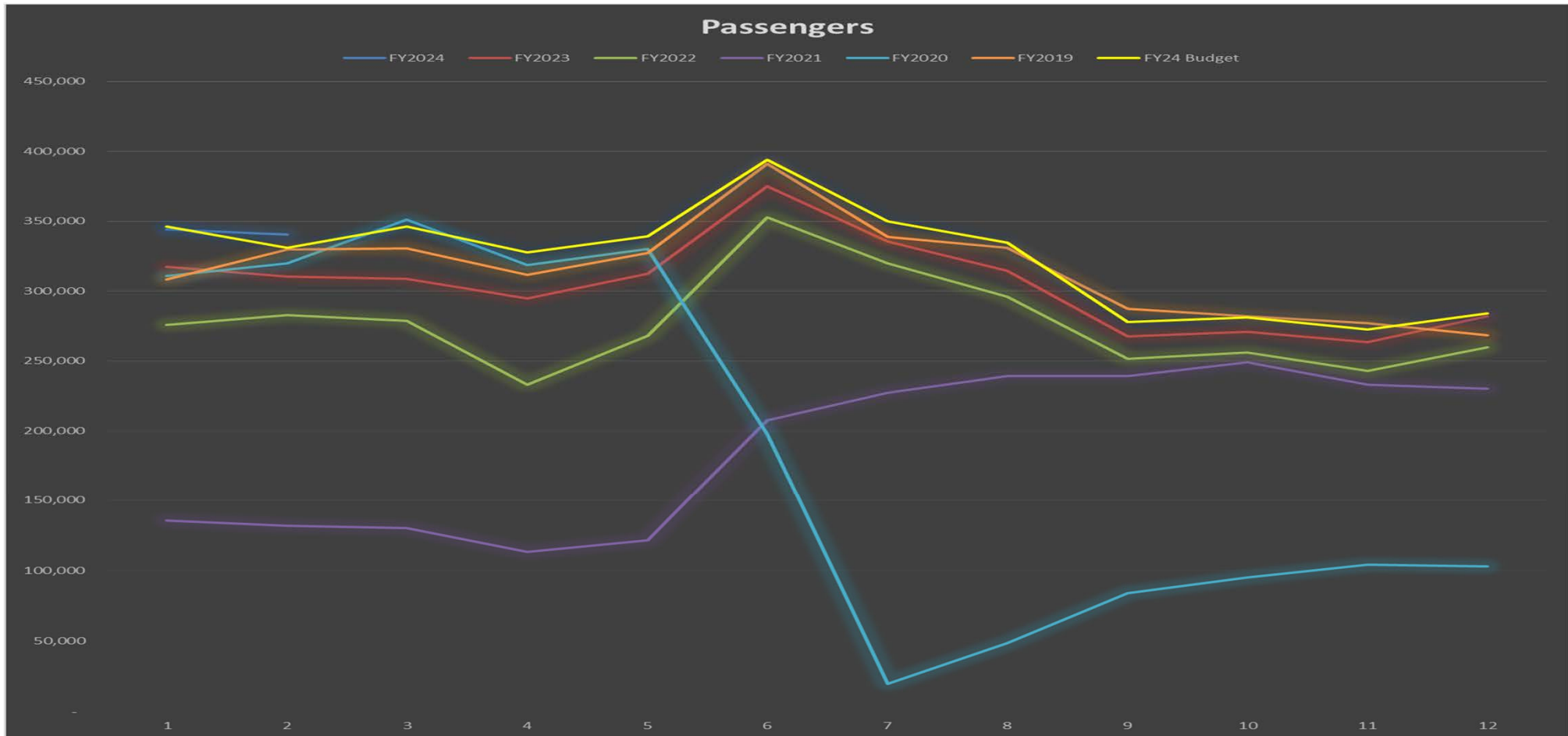
March 6, 2024

FY 2024 Operating Statistics-Landed Weight



- November Landed Weight is 3.4% above budget, 4.8% higher than FY2023
- YTD Landed Weight is 0.2% above budget, 6.4% higher than FY2023

FY 2024 Operating Statistics-Passengers



- November passenger volume is 2.8% over budget 9.6% higher than FY2023
- YTD passenger volume is 0.9% below budget, 0.1% higher than FY2023

November 2023 Flight & Passenger Activity

	<u>FY2024</u>	<u>FY2023</u>	<u>FY2022</u>	<u>FY2021</u>	<u>FY2020</u>	<u>FY2019</u>
<u>Month</u>						
Total Passengers	340,413	282,203	259,929	230,145	102,941	268,556
Average Load Factor	92.2%	78.3%	90.1%	80.9%	67.8%	84.8%
Average Daily Departures	51.4	51.4	39.4	43.3	23.7	46.7
Average Daily Seat Capacity	6,515	6,140	5,308	3,664	6,130	6,480
<u>Two Months Year-To-Date</u>						
Total Passengers	684,662	627,976	558,702	267,089	630,842	637,913
Average Load Factor	90.8%	87.5%	87.4%	65.2%	86.8%	86.3%
Average Daily Seat Capacity	6,493	5,943	5,215	3,343	5,919	6,014
Average Seat Count per Departure	126.7	119.5	134.7	84.6	258.3	138.9

YTD FY2024 Financial Results

	YTD (Oct-Nov) Actual	Total Annual Budget	100.00%
Operating Revenues	\$ 8,822,989	\$ 46,634,174	18.9%
Operating Expenses	6,582,705	44,709,160	14.7%

November (2nd month) / 12 months total = 16.67%

Revenues above 100% = favorable.

Expenses below 100% = favorable.

Financial results for FY24 are unaudited.

November 2023 Financial Results

	<u>Budget</u>	<u>Actual</u>	<u>Budget vs Actual</u>		<u>Prior Year (2022)</u>	<u>Current vs. Prior Year</u>	
<u>November</u>							
Operating Revenues	\$ 3,974,209	\$ 4,411,052	\$ 436,843	9.9%	\$ 3,564,874	\$ 846,178	23.7%
Operating Expenses	3,703,325	3,308,386	394,939	11.9%	2,981,297	\$ 327,089	11.0%
Operating Income (Loss)	<u>\$ 270,884</u>	<u>\$ 1,102,666</u>	<u>\$ 831,782</u>		<u>\$ 583,577</u>	<u>\$ 519,089</u>	
<u>Two Months Ended 11/2023</u>							
Operating Revenues	\$ 8,530,143	\$ 8,822,989	\$ 292,846	3.3%	\$ 7,090,949	\$ 1,732,040	24.4%
Operating Expenses	8,070,681	6,582,705	1,487,976	22.6%	6,323,728	\$ 258,977	4.1%
Operating Income	<u>\$ 459,462</u>	<u>\$ 2,240,284</u>	<u>\$ 1,780,822</u>		<u>\$ 767,221</u>	<u>\$ 1,473,063</u>	

Financial results for FY24 are unaudited.

November 2023 Operating Revenues

Operating Revenues

<u>November</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget vs.</u>	
			<u>Actual</u>	
Landing fees	\$ 302,016	\$ 412,793	\$ 110,777	26.8%
Space rentals	1,099,377	1,184,156	\$ 84,779	7.2%
Land rent	232,728	315,088	\$ 82,360	26.1%
Concession revenue	1,842,851	1,979,615	\$ 136,764	6.9%
Reimbursed Services	253,928	214,222	\$ (39,706)	-18.5%
Other Operating Revenue	243,310	305,177	\$ 61,867	20.3%
Total operating revenues	\$ 3,974,210	\$ 4,411,051	\$ 436,841	9.9%

Financial results for FY24 are unaudited. One month results.

November 2023 Operating Expenses

Operating Expenses

November

	<u>Budget</u>	<u>Actual</u>	<u>Budget vs. Actual</u>	
Personnel expenses	\$ 2,268,780	\$ 2,294,990	\$ 26,210	1.1%
Contractual services	779,689	966,084	\$ 186,395	19.3%
Materials and supplies	153,058	322,156	\$ 169,098	52.5%
Other operating expenses	106,859	120,095	\$ 13,236	11.0%
Total operating expenses	<u><u>\$ 3,308,386</u></u>	<u><u>\$ 3,703,325</u></u>	<u><u>\$ 394,939</u></u>	<u><u>10.7%</u></u>

Financial results for FY24 are unaudited. This is only one month. These expenses fluctuate throughout the year and tend to level out as the year progresses.

FY2024 YTD Operating Revenue

Operating Revenues

<u>YTD</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget vs.</u>	
			<u>Actual</u>	
Landing fees	\$ 600,751	\$ 734,842	\$ 134,091	18.2%
Space rentals	2,213,857	2,345,727	\$ 131,870	5.6%
Land rent	701,935	625,432	\$ (76,503)	-12.2%
Concession revenue	3,926,704	4,074,539	\$ 147,835	3.6%
Reimbursed Services	487,065	420,322	\$ (66,743)	-15.9%
Other Operating Revenue	599,831	622,127	\$ 22,296	3.6%
Total operating revenues	\$ 8,530,143	\$ 8,822,989	\$ 292,846	3.3%

Financial results for FY24 are unaudited. Two months (Oct-Nov)

2024 YTD Concession Revenue

<u>Account Description</u>	<u>YTD Budget</u>	<u>YTD Actual</u>	<u>Budget vs Actual</u>	
Rental Cars	1,490,868	1,441,141	\$ (49,727)	-3.5%
Parking	1,726,471	1,798,905	\$ 72,434	4.0%
Ground Transportation	73,154	77,528	\$ 4,374	5.6%
Advertising	15,407	26,994	\$ 11,587	42.9%
Food & Beverage	230,663	255,072	\$ 24,409	9.6%
News & Gifts	219,867	234,003	\$ 14,136	6.0%
Transportation Network Company	152,925	196,939	\$ 44,014	22.3%
Peer-to-Peer Car Rental	-	16,741	\$ 16,741	100.0%
Other	17,348	27,217	9,869	36.3%
Total	\$ 3,926,703	\$ 4,074,540	\$ 147,837	3.6%

Financial results for FY24 are unaudited. Two months (Oct-Nov)

FY2024 YTD Operating Expenses

Operating Expenses

<u>YTD</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget vs. Actual</u>	
Personnel expenses	\$ 4,738,860	\$ 4,550,896	\$ 187,964	4.1%
Contractual services	2,251,030	1,464,796	\$ 786,234	53.7%
Materials and supplies	812,136	341,496	\$ 470,640	137.8%
Other operating expenses	268,655	225,518	\$ 43,137	19.1%
Total operating expenses	<u>\$ 8,070,681</u>	<u>\$ 6,582,706</u>	<u>\$ 1,487,975</u>	<u>22.6%</u>

Financial results for FY24 are unaudited. Two months (Oct-Nov)

2024 vs 2023

	FY2024	FY2023	
	<u>YTD (Oct-Nov)</u>	<u>Oct-Nov</u>	<u>FY24 vs FY23</u>
Operating Revenues	\$ 8,822,989	\$ 7,090,949	24.4%
Operating Expenses	6,582,705	6,323,728	4.1%

Financial results for FY24 are unaudited.

Date: March 6, 2024

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

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

- Tucson Airport Authority generated net operating income before depreciation and amortization of \$1,102,666 for November 2023, which is \$831,782 favorable to budget due to favorable operating revenues (largely landing fees, concessions, and space rent) and favorable expenses described below.
- Year-to-date, Tucson Airport Authority net operating income before depreciation and amortization of \$2,240,284 exceeded the budget by \$1,780,822. A favorable position is attributable to operating revenues and expenses described below.

Operating Revenues (YTD vs budget):

- In November, operating revenue of \$4,411,052 is favorable to budget by \$436,843 or 9.9% and favorable to prior year by \$524,778 or 23.7%. The increase from prior year is largely due to increased concession revenues, other operating revenues, and space rentals.
- Year-to-date operating revenues were favorable to budget by \$292,846 or 3.3%, with immaterial variances in all revenue categories.

Operating Expenses (YTD vs budget):

- In November, total operating expenses were under budget by \$394,939 or 11.9%. The favorable variance is largely due to lower-than-budgeted personnel expenses and timing of other expenses. Operating expenses were unfavorable to prior year by \$327,089 or 11.0% due to increased personnel costs, contractual services, materials and supplies and other operating expenses.
- Year-to-date total operating expenses of \$34,574,538 are favorable to budget by \$1,227,794 or 3.4%. All operating expense categories are lower than budgeted. Contractual services expenses drive most of the favorable variance.

FINANCIAL SUMMARY



For the two months ending November 30, 2023

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

	CURRENT MONTH - November 2023			November 2022
	BUDGET	ACTUAL	FAV (UNFAV)	ACTUAL
OPERATING REVENUES:				
Landing fees	302,016	412,793	110,777	232,311
Space rentals	1,099,377	1,184,156	84,779	935,301
Land rent	232,728	315,088	82,360	307,249
Concession revenue	1,842,851	1,979,615	136,764	1,571,330
Reimbursed services	253,928	214,222	(39,706)	247,108
Other operating revenues	243,310	305,177	61,868	271,574
Total Operating Revenues	3,974,209	4,411,052	436,843	3,564,874
OPERATING EXPENSES:				
Personnel expenses	2,294,990	2,268,780	26,210	2,046,305
Contractual services	966,084	779,689	186,395	652,271
Materials and supplies	322,156	153,058	169,098	175,888
Other operating expenses	120,095	106,859	13,236	106,834
Total Operating Expenses	3,703,325	3,308,386	394,938	2,981,297
NET OPERATING INCOME (LOSS) BEFORE DEPRECIATION AND AMORTIZATION	270,885	1,102,666	831,781	583,577
Depreciation and Amortization	1,857,365	1,672,683	184,682	1,639,685
OPERATING INCOME (LOSS)	(1,586,481)	(570,017)	1,016,464	(1,056,109)
NONOPERATING INCOME (EXPENSES)				
Interest Income	43,887	313,609	269,722	68,693
Net increase/(decrease) in fair value of investments	-	566,210	566,210	389,790
Passenger facility charges	686,543	710,478	23,935	598,256
Interest expense and fiscal charges	-	(51,428)	(51,428)	(59,410)
Gain/(Loss) on disposition of capital assets	-	-	-	-
Other nonoperating revenues (expenses)	-	(4,215)	(4,215)	(23,929)
Total nonoperating revenues (expenses)	730,430	1,534,654	804,224	973,400
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(856,051)	964,637	1,820,688	(82,709)
CAPITAL CONTRIBUTIONS:				
Federal	-	-	-	-
State	-	-	-	-
Total capital contributions	-	-	-	-
INCREASE (DECREASE) IN NET POSITION	\$ (856,051)	964,637	\$ 1,820,688	\$ (82,709)

TUCSON AIRPORT AUTHORITY
STATEMENT OF REVENUES , EXPENSES AND
CHANGES IN NET POSITION
For the two months ending November 30, 2023

	CURRENT YEAR TO DATE - November 2023			YTD -
	BUDGET	ACTUAL	FAV (UNFAV)	November 2022
OPERATING REVENUES:				
Landing fees	\$ 600,751	\$ 734,842	\$ 134,091	\$ 452,973
Space rentals	2,213,857	2,345,727	131,870	1,845,003
Land rent	701,935	625,432	(76,503)	622,421
Concession revenue	3,926,704	4,074,539	147,835	3,161,310
Reimbursed services	487,065	420,322	(66,743)	481,787
Other operating revenues	599,831	622,127	22,296	527,455
Total operating revenues	8,530,143	8,822,989	292,846	7,090,949
OPERATING EXPENSES:				
Personnel expenses	4,738,860	4,550,896	187,964	4,194,230
Contractual services	2,251,030	1,464,796	786,234	1,527,676
Materials and supplies	812,136	341,496	470,640	318,539
Other operating expenses	268,655	225,518	43,137	283,283
Total Operating Expenses	8,070,681	6,582,705	1,487,976	6,323,728
NET OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION	459,462	2,240,284	1,780,822	767,221
Depreciation and Amortization	3,714,731	3,429,587	285,144	3,281,870
OPERATING INCOME (LOSS)	(3,255,269)	(1,189,304)	2,065,965	(2,514,649)
NONOPERATING REVENUES (EXPENSES):				
Interest Income	87,774	585,053	497,279	141,896
Net increase/(decrease) in fair value of investments	-	902,709	902,709	281,188
Passenger facility charges	1,379,851	1,412,046	32,195	1,214,535
Interest expense and fiscal charges	-	(102,856)	(102,856)	(118,820)
Gain/(Loss) on disposition of capital assets	-	-	-	-
Other nonoperating revenues (expenses)	-	(21,618)	(21,618)	(47,759)
Total nonoperating revenues (expenses)	1,467,625	2,775,334	1,307,709	1,471,040
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(1,787,644)	1,586,030	3,373,674	(1,043,609)
CAPITAL CONTRIBUTIONS:				
Federal	-	-	-	-
State	-	-	-	-
Total capital contributions	-	-	-	-
INCREASE (DECREASE) IN NET POSITION	\$ (1,787,644)	\$ 1,586,030	\$ 3,373,674	(1,043,609)
TOTAL NET POSITION, (BEGINNING)		493,078,478		471,774,021
TOTAL NET POSITION, (ENDING)		\$ 494,664,508		\$ 470,730,412

**TUCSON AIRPORT AUTHORITY
STATEMENT OF NET POSITION**

ASSETS	November-23	November-22
CURRENT ASSETS		
Unrestricted assets:		
Cash and cash equivalents	71,408,467	41,722,102
Investments	64,262,014	95,543,700
Accounts receivable, net of allowance for doubtful accounts	1,747,886	7,153,285
Accrued interest receivable	304,588	132,518
Grants receivable	1,682,156	5,581,784
Short-Term lease receivable	4,016,661	5,040,303
Inventories	424,034	400,986
Prepaid expenses and other assets	1,055,120	929,572
Total unrestricted current assets	<u>144,900,926</u>	<u>156,504,250</u>
Restricted assets:		
Cash and cash equivalents	15,772,372	3,910,383
Investments	15,230,428	22,916,157
Accounts receivable	1,268,519	606,033
Accrued interest receivable	72,235	36,861
Total restricted current assets	<u>32,343,554</u>	<u>27,469,434</u>
Total current assets	<u>177,244,480</u>	<u>183,973,684</u>
Noncurrent assets:		
Unrestricted assets:		
Long-Term lease receivable	76,121,320	80,137,980
Capital assets		
Not depreciated	178,776,139	140,578,593
Depreciated, net	202,365,560	218,582,713
Net capital assets	<u>381,141,699</u>	<u>359,161,306</u>
Total unrestricted noncurrent assets	<u>457,263,019</u>	<u>439,299,286</u>
Total noncurrent assets	<u>457,263,019</u>	<u>439,299,286</u>
TOTAL ASSETS	<u>634,507,499</u>	<u>623,272,970</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows from pensions	5,599,775	5,599,775
Total deferred outflows of resources	<u>5,599,775</u>	<u>5,599,775</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>640,107,274</u>	<u>628,872,745</u>

**TUCSON AIRPORT AUTHORITY
STATEMENT OF NET POSITION**

LIABILITIES & NET ASSETS (Con't)

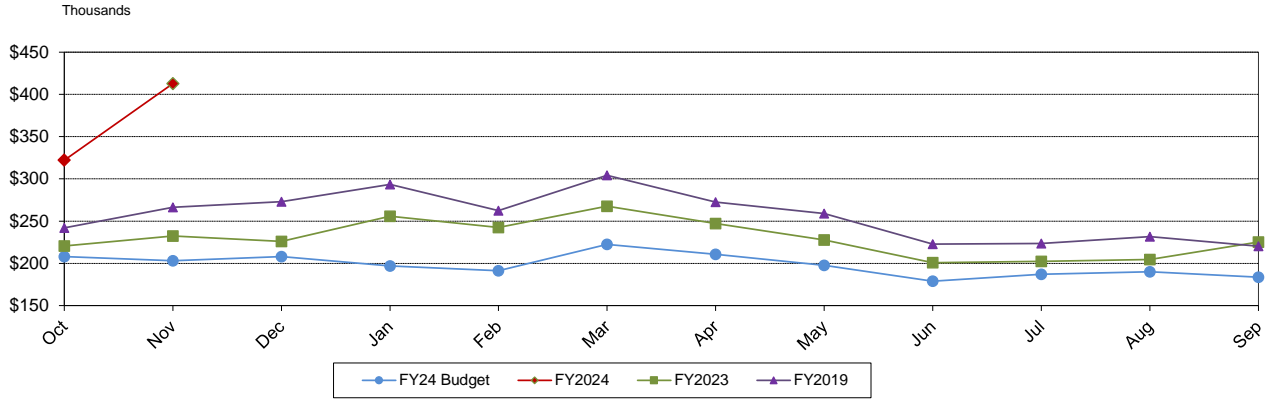
LIABILITIES	November-23	November-22
CURRENT LIABILITIES		
Payable from unrestricted assets:		
Accounts payable	668,522	2,162,395
Accrued expenses	3,183,131	3,214,499
Unearned revenue	1,438,802	1,607,913
Construction contracts payable	924,096	1,784,778
Current portion of environmental remediation payable	2,353,472	3,644,240
Current portion of bonds payable:		
Airport Subordinate Lien Revenue Bonds, Series 2018	1,610,000	1,610,000
Total payable from unrestricted assets	<u>10,178,023</u>	<u>14,023,825</u>
 Payable from restricted assets		
Accrued interest payable:		
Airport Subordinate Lien Revenue Bonds, Series 2018	108,289	125,964
	<u>108,289</u>	<u>125,964</u>
Current portion of environmental remediation payable	1,517,081	572,412
	<u>1,625,370</u>	<u>698,376</u>
Total payable from restricted assets	<u>1,625,370</u>	<u>698,376</u>
Total current liabilities	<u>11,803,393</u>	<u>14,722,201</u>
 NONCURRENT LIABILITIES		
Payable from unrestricted assets		
Bonds payable, net of current portion:		
Airport Subordinate Lien Revenue Bonds, Series 2018	18,476,532	21,787,683
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	<u>53,732,736</u>	<u>58,348,575</u>
Total noncurrent liabilities	<u>53,732,736</u>	<u>58,348,575</u>
 TOTAL LIABILITIES	<u>65,536,129</u>	<u>73,070,776</u>

**TUCSON AIRPORT AUTHORITY
STATEMENT OF NET POSITION**

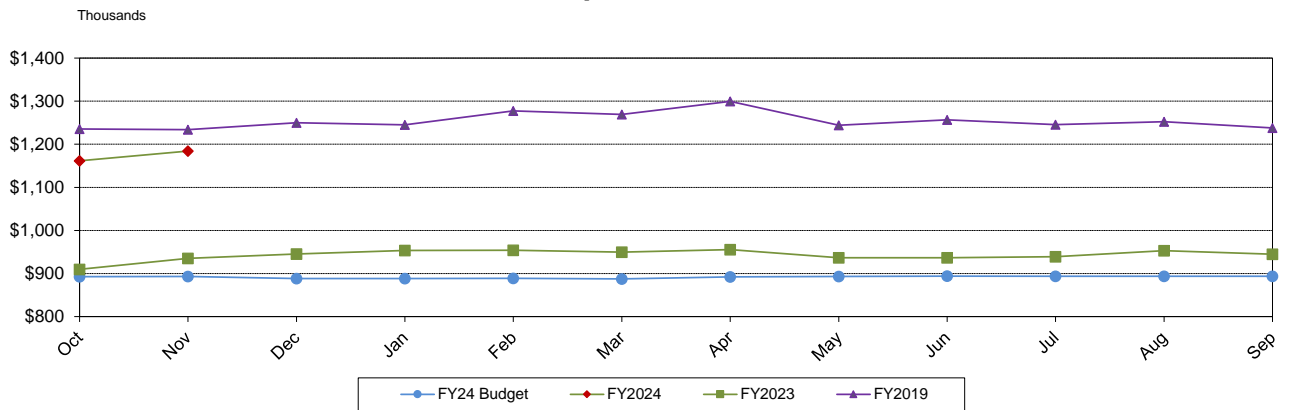
LIABILITIES & NET ASSETS (Con't)

	November-23	November-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	74,580,884	78,731,253
TOTAL DEFERRED INFLOWS OF RESOURCES	79,906,637	85,071,557
NET POSITION		
Net Investment in capital assets	361,055,167	335,763,623
Restricted:		
Debt service	553,334	536,666
Capital projects	31,681,931	26,806,804
	32,235,265	27,343,470
Unrestricted	101,374,076	107,623,319
TOTAL NET POSITION	494,664,508	470,730,412
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	640,107,274	628,872,745

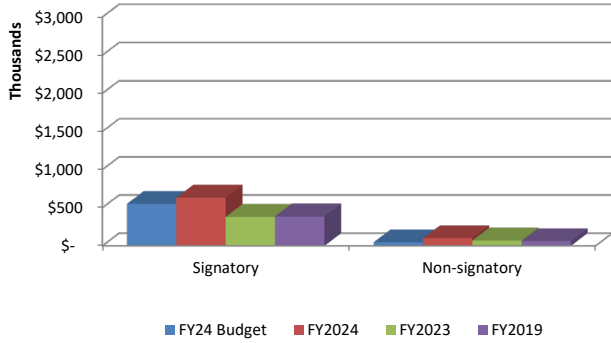
Landing Fees



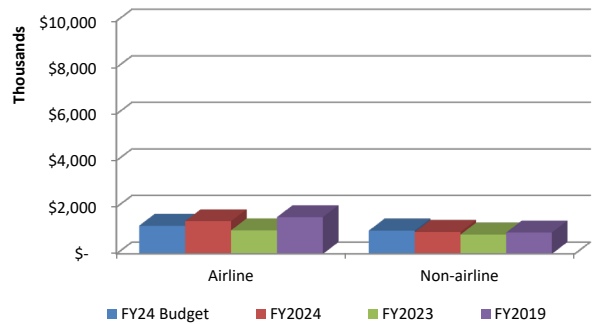
Space Rentals

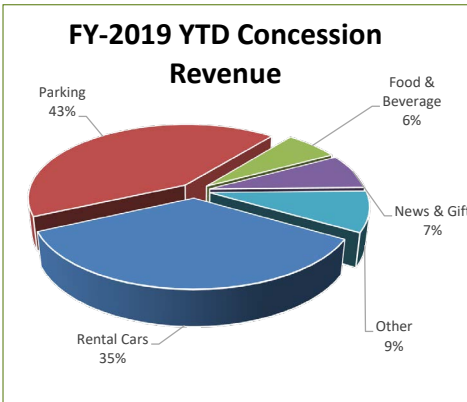
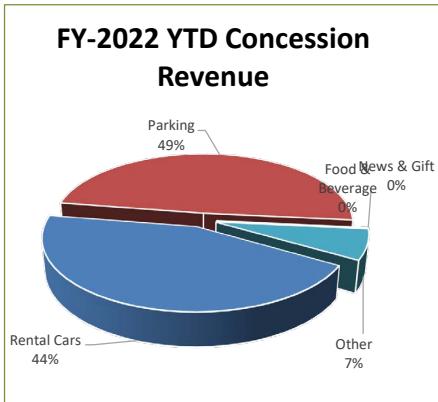
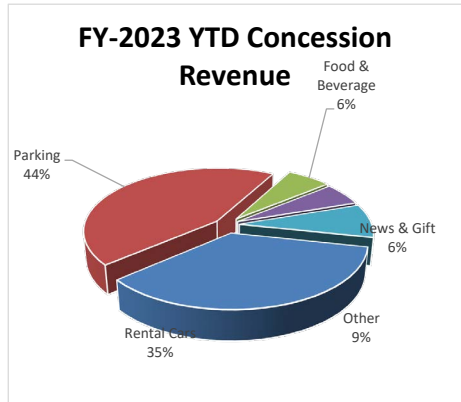
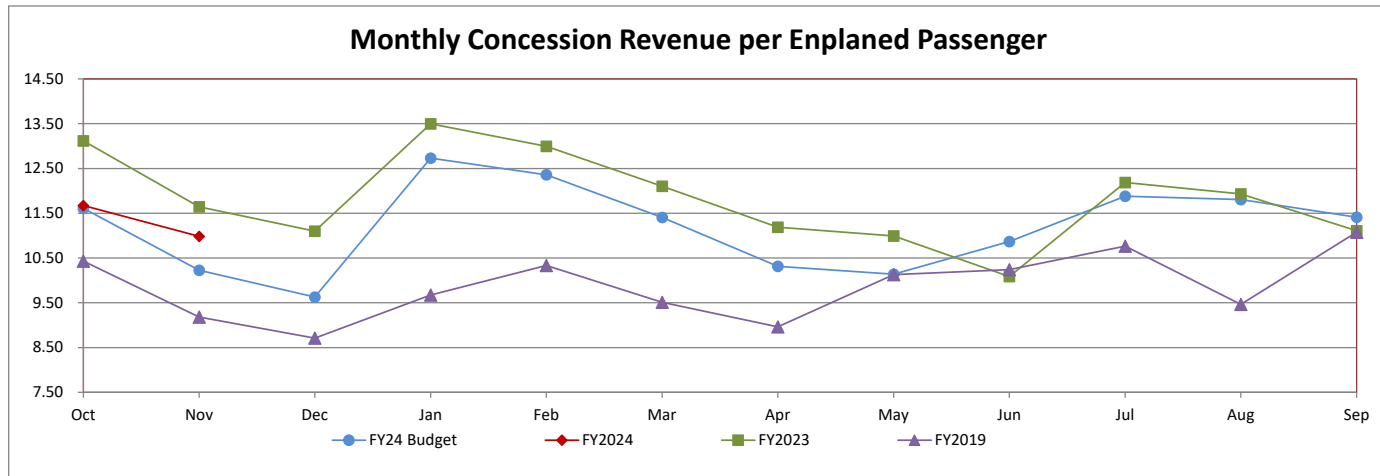
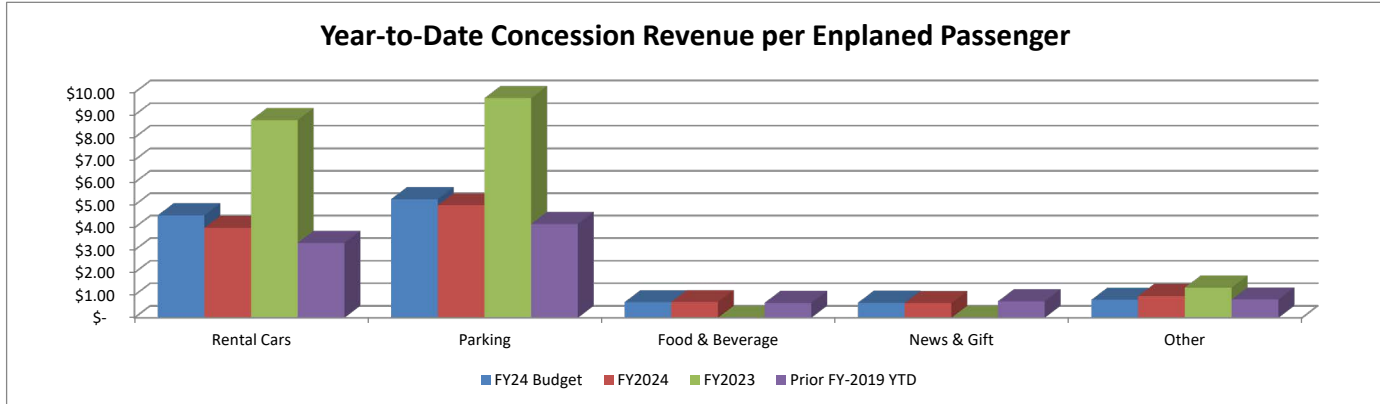
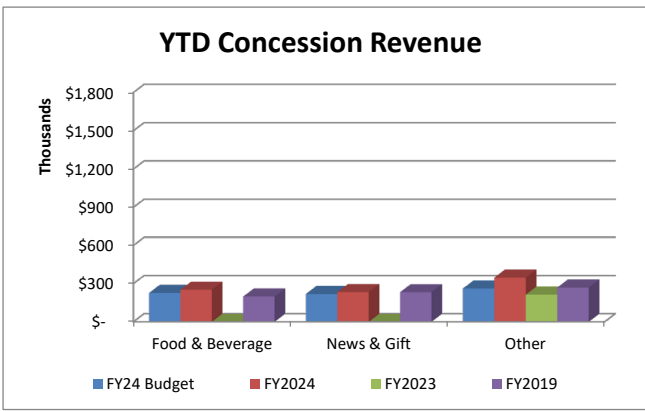
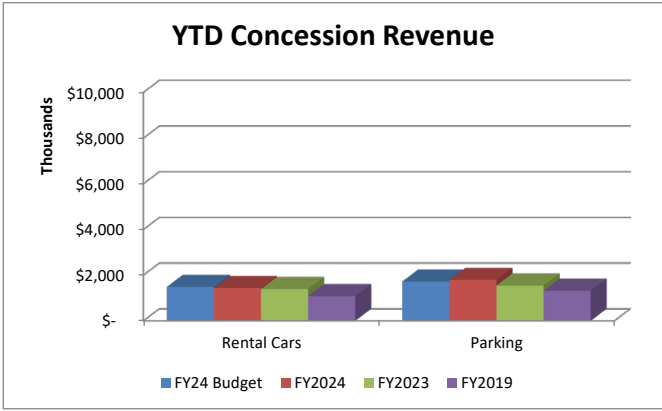


YTD Landing Fees

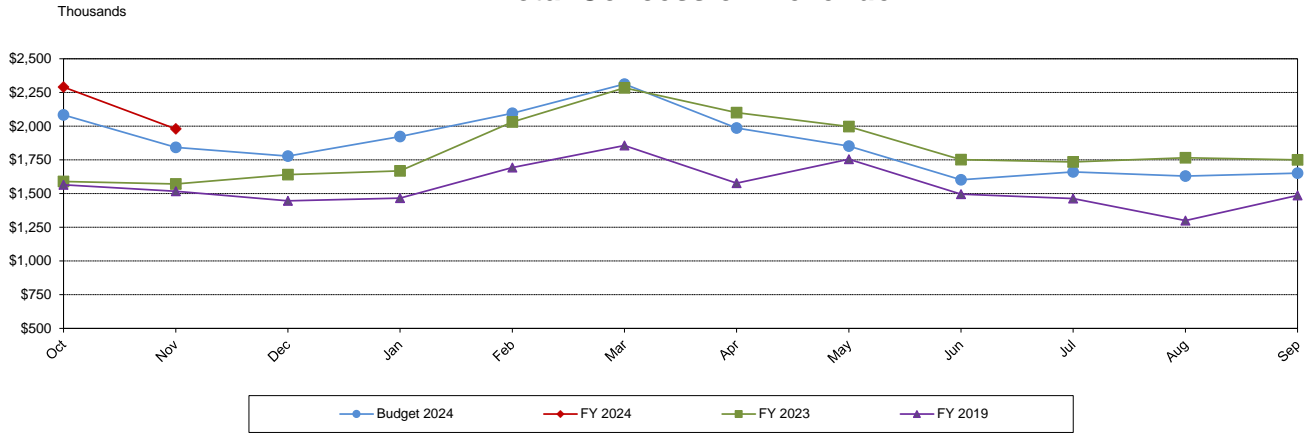


YTD Space Rentals

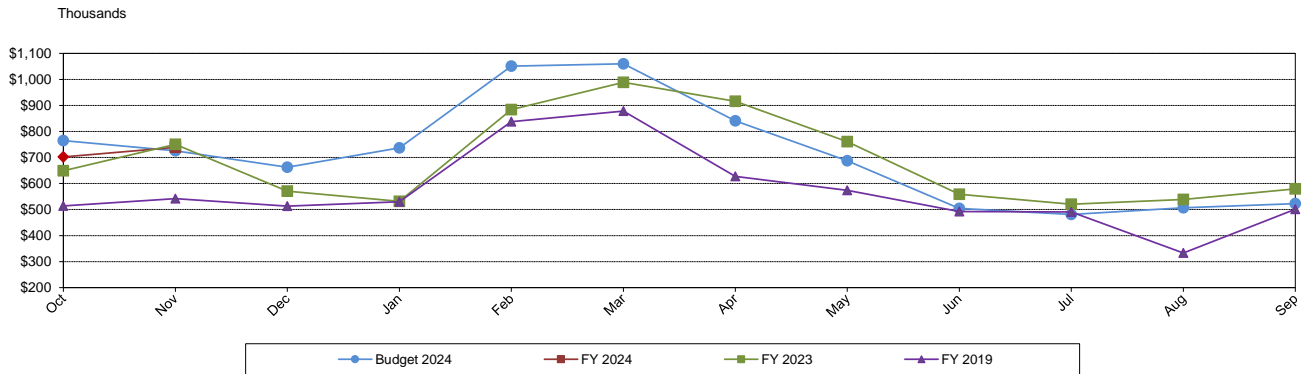




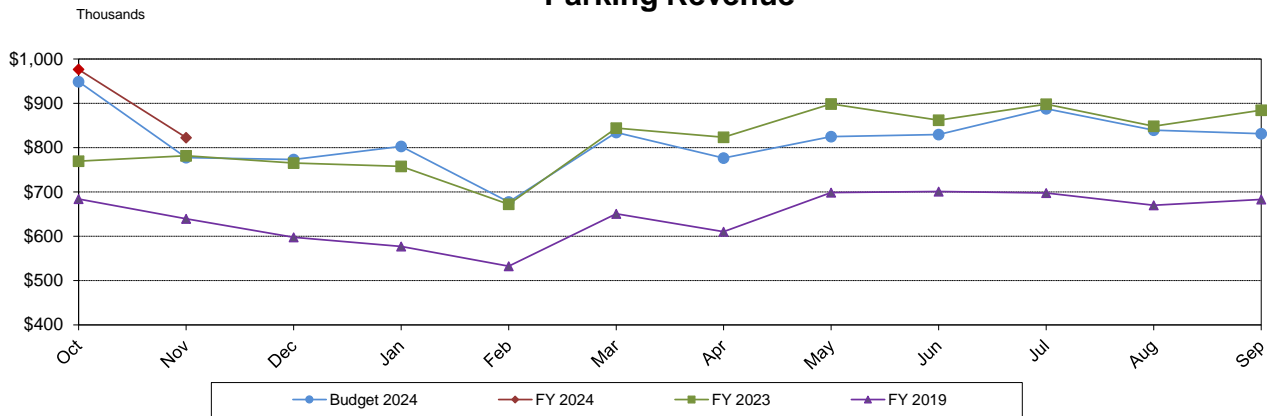
Total Concession Revenue



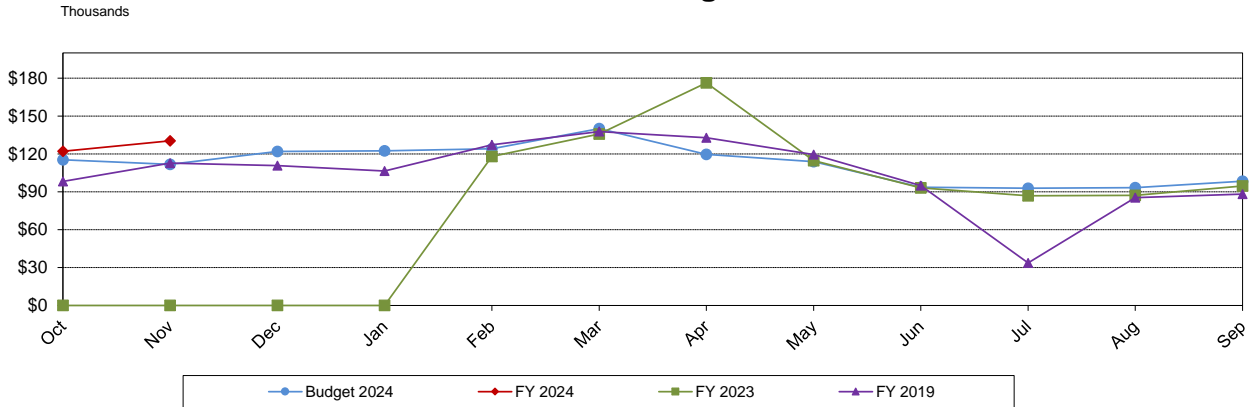
Rental Car Revenue



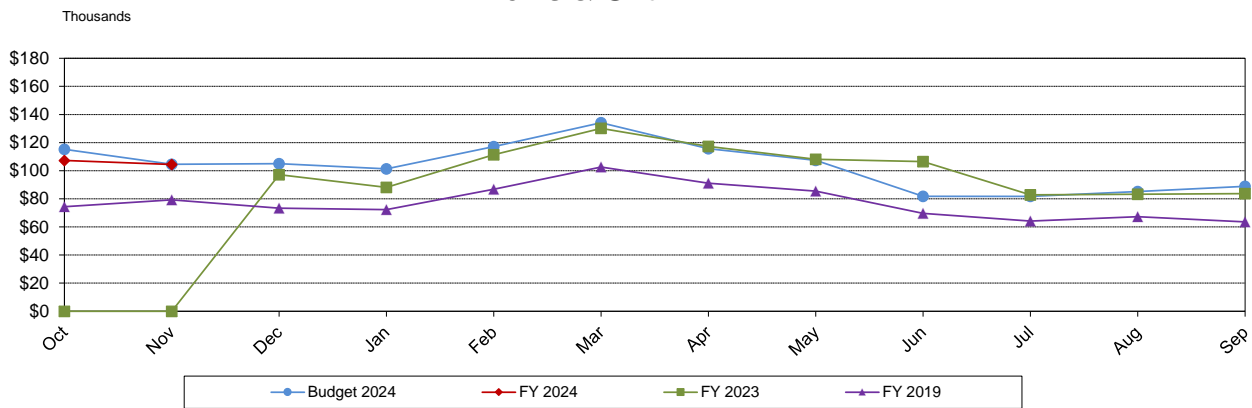
Parking Revenue



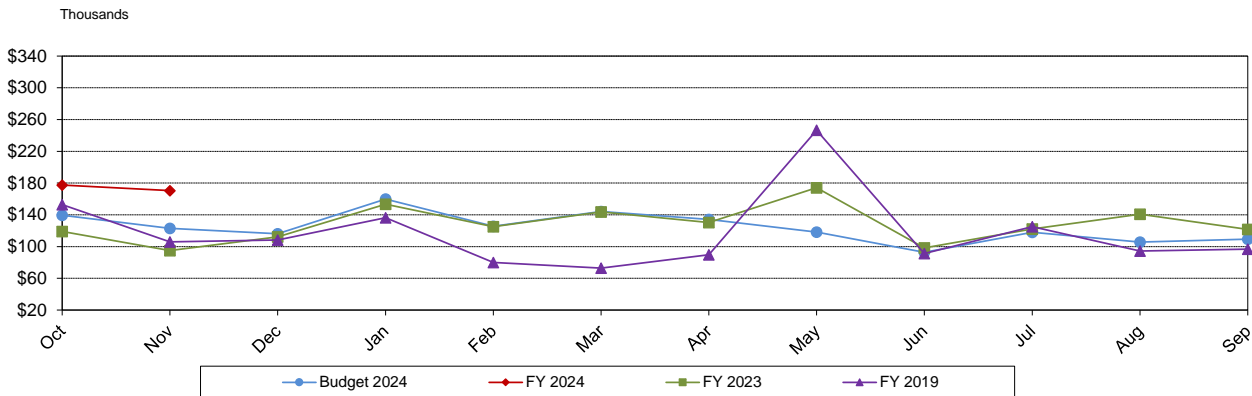
Food & Beverage Revenue*



News & Gift*



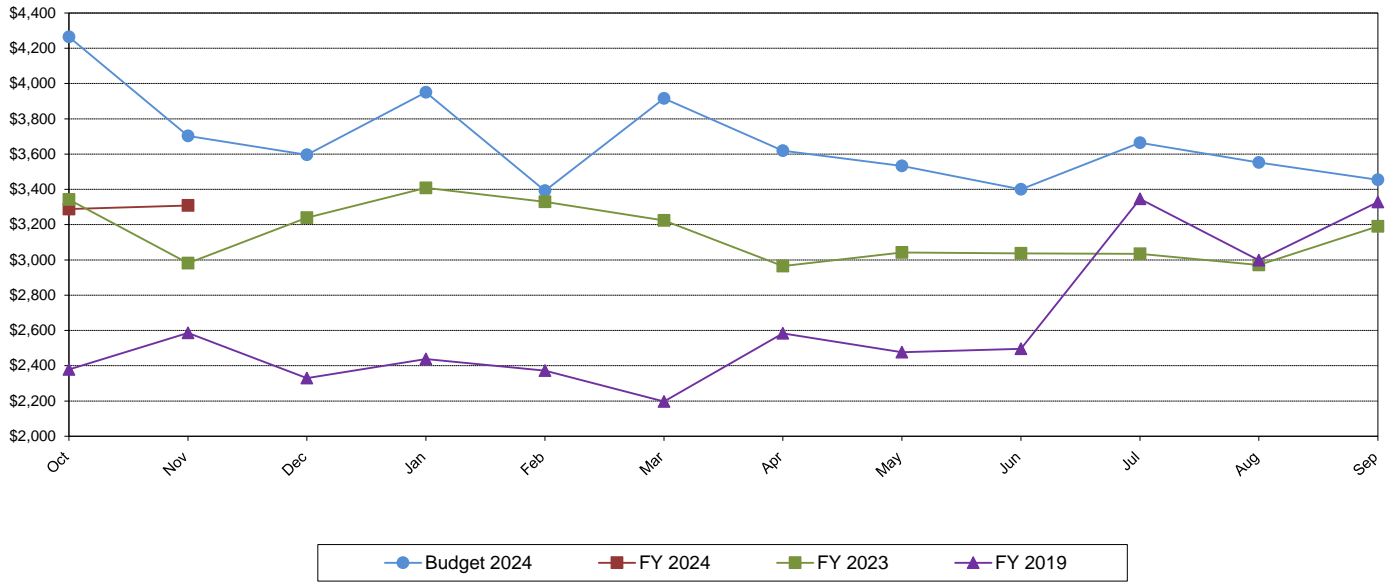
Other Concession Revenue



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

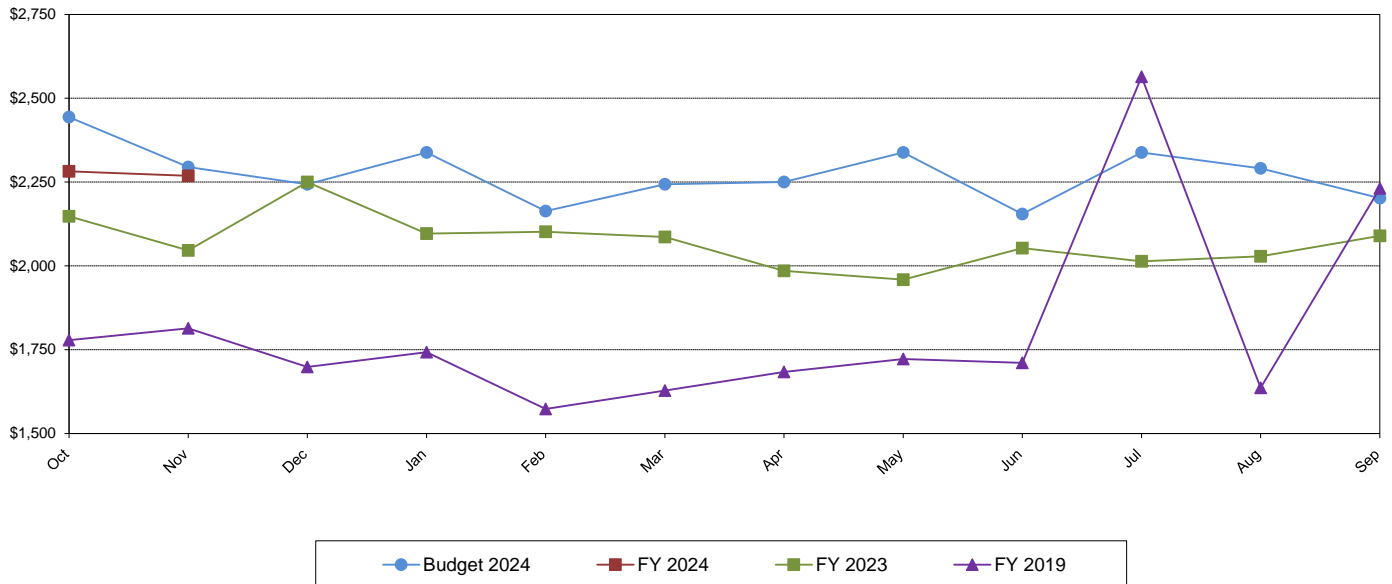
Total Operating Expenses

Thousands

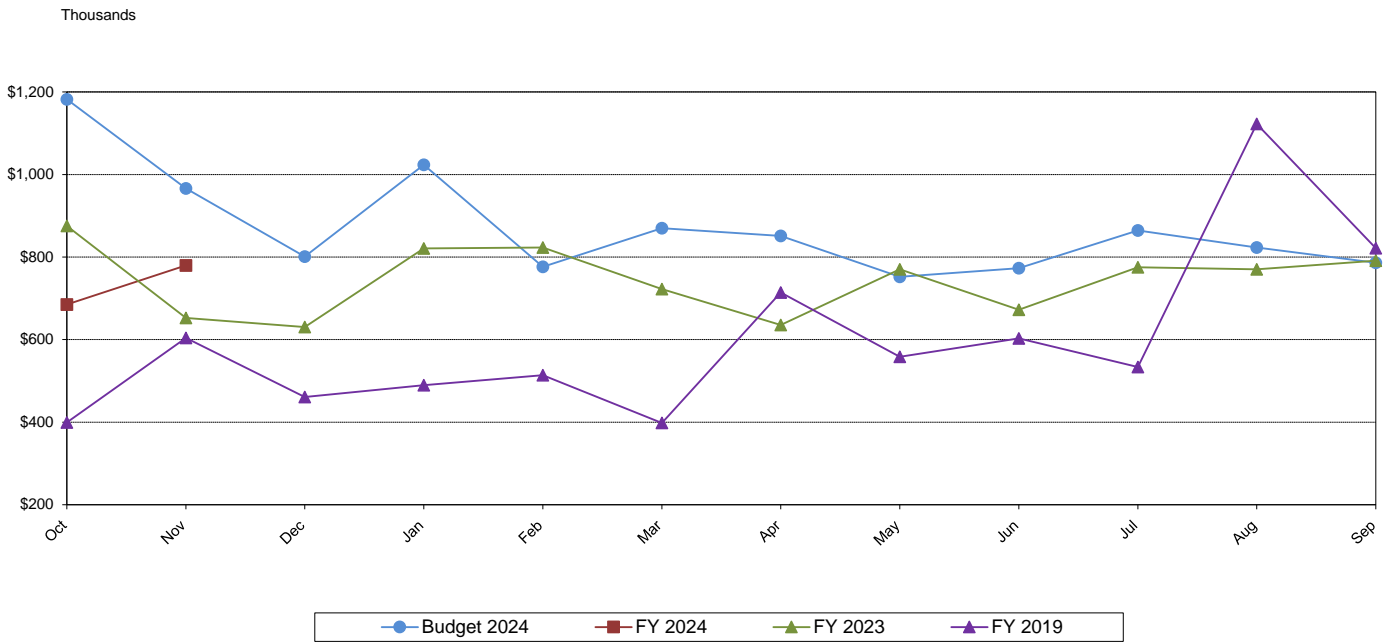


Personnel Expenses

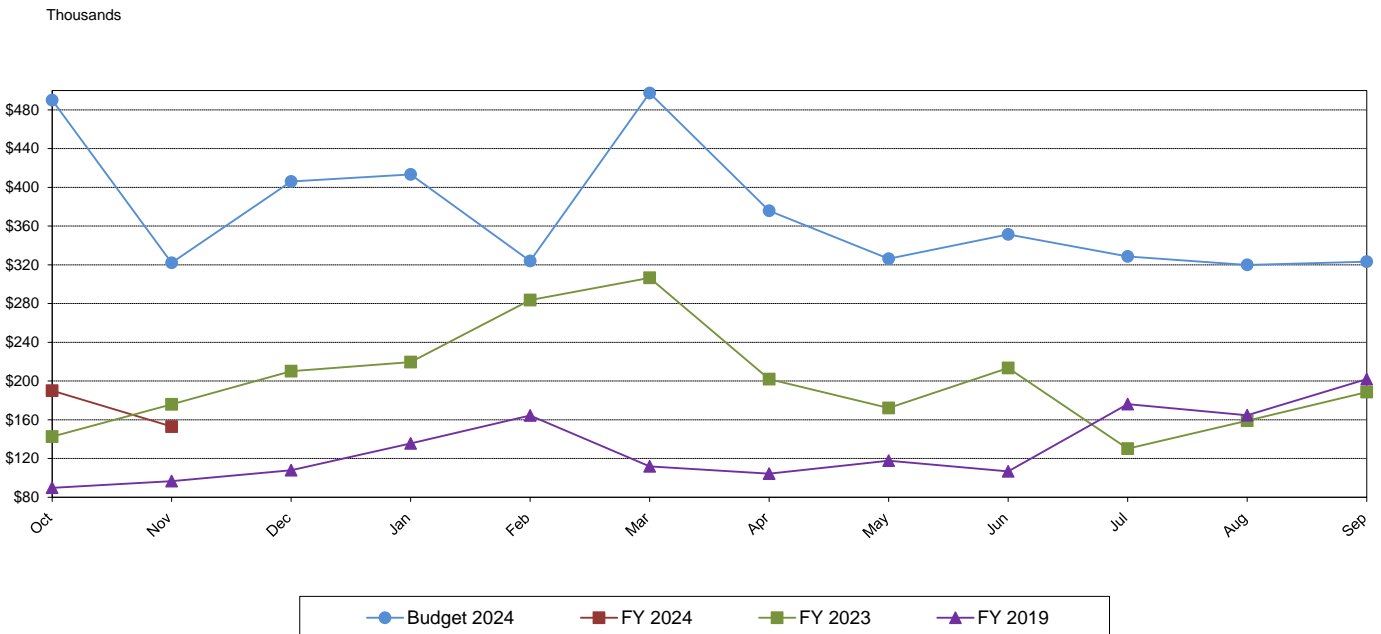
Thousands



Contractual Services

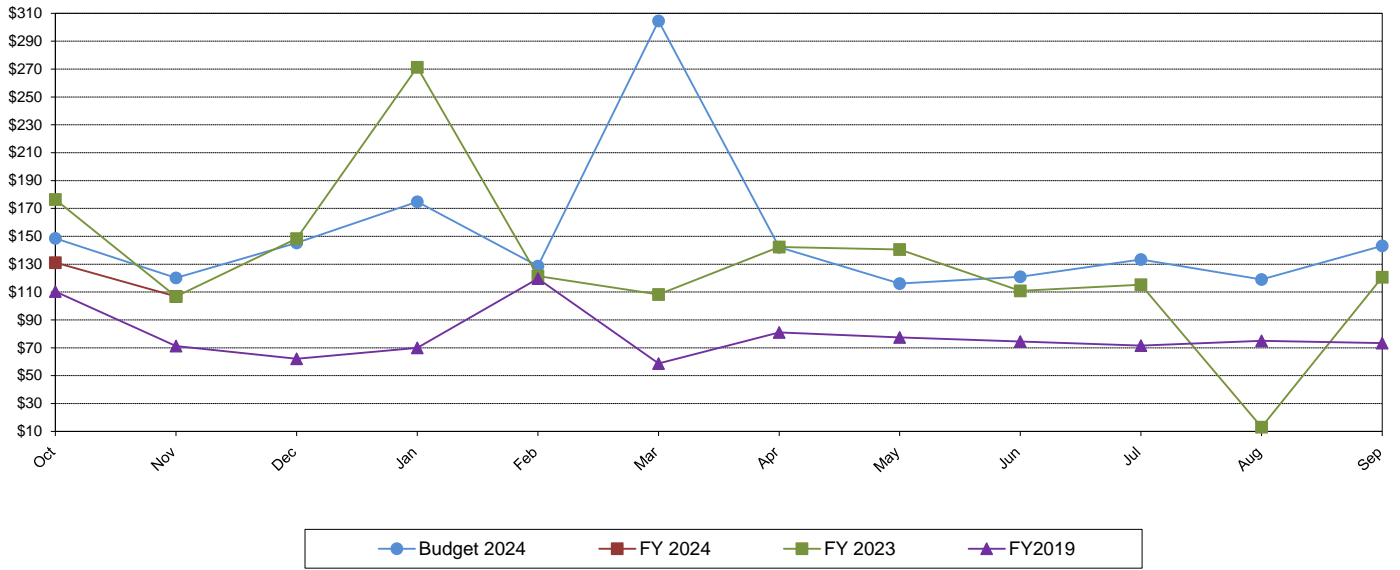


Materials and Supplies



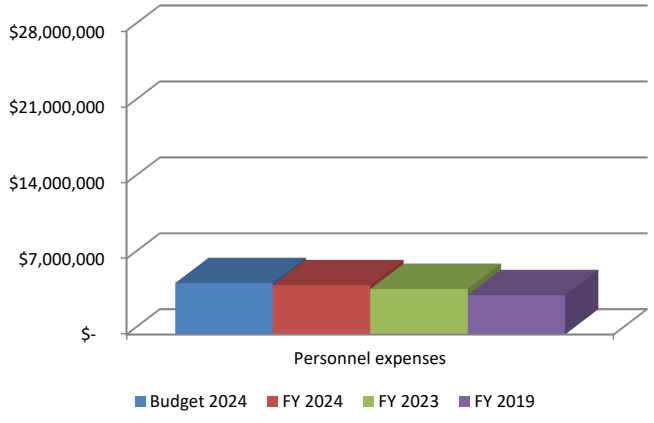
Other Operating Expenses*

Thousands

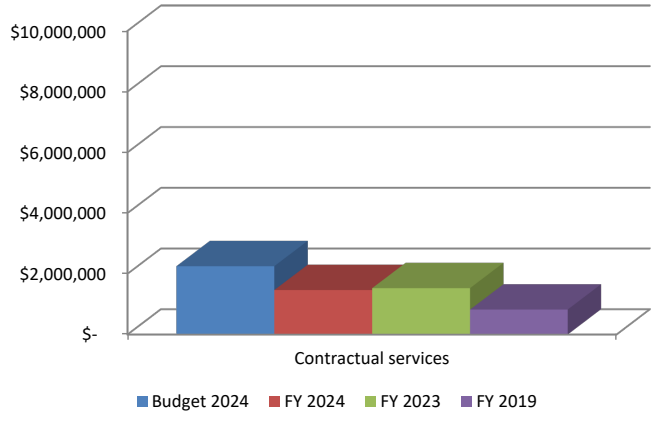


* January 2023 includes an un-budgeted one-time payment of \$110K for the repair of the metal panels of the damaged departure-level overhang.

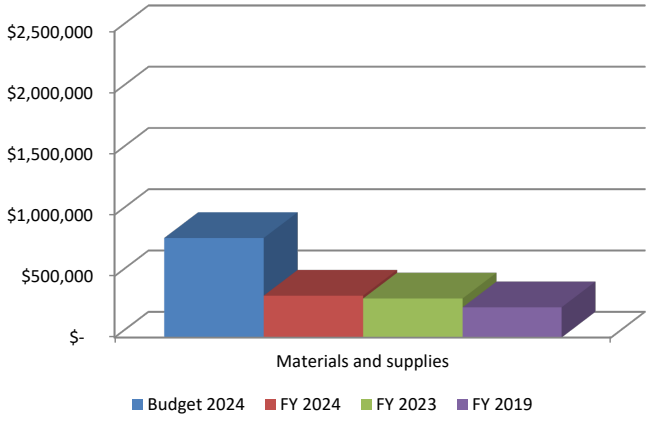
YTD Personnel Expenses



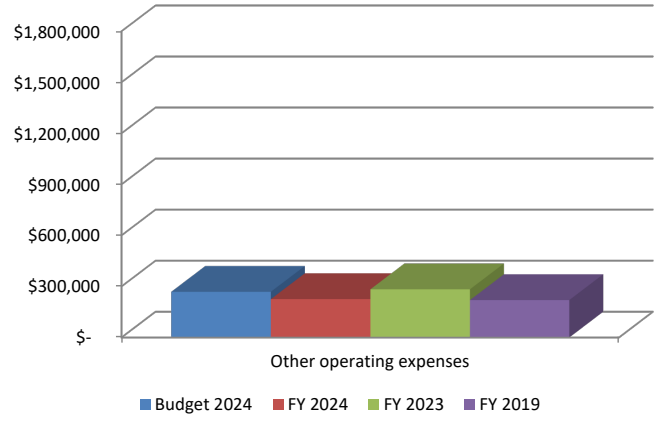
YTD Contractual Services



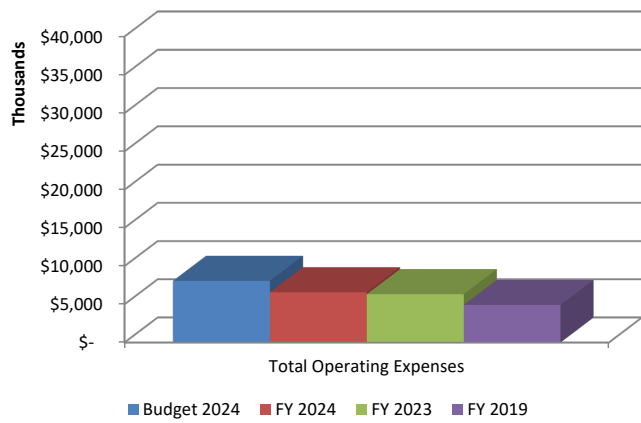
YTD Materials and Supplies



YTD Other Operating Expenses



YTD Total Operating Expenses



Date: March 6, 2024

To: Board of Directors
From: Austin Wright, Chief Communications Officer
Re: March 2024 Air Service Development Update

The Tucson Airport Authority (TAA) continues to work proactively to expand and grow our air service at Tucson International Airport (TUS).

TUS has seen robust year-over-year growth. We served 3,751,557 passengers in calendar year 2023, a 9.8% increase over 2022.

Strong demand for travel to and from TUS has inspired our airline partners to continue to invest larger aircraft into our market. This translates to increased capacity this peak season. In fact, March 2024 is forecast to have our most passengers in a single month since March 2008. Southwest Airlines and Alaska Airlines are the main growth drivers.

For fiscal year 2024, 3.9 million passengers are forecast, which is 3% more than in fiscal year 2019 (the pre-pandemic benchmark). This would be a gain of more than 6% from fiscal year 2023.

Southwest Airlines announced 10 additional weekly flights starting October 3, 2024. TUS will welcome daily nonstop flights to Dallas Love Field, and increased frequencies to Denver and Los Angeles. This exciting addition speaks to the positive relationship between TUS and our airline partners. These additional flights may yield up to 3.5 million dollars in annual revenue for the TAA.

In the airline industry, there remains an element of uncertainty around the Boeing 737-MAX 9 aircraft. While United Airlines and Alaska Airlines have been able to return the planes to service, there has been increased regulation placed on Boeing that will slow the production of future MAX 9 deliveries. We will continue to watch this situation. As it stands now, there is no immediate impact to the TUS operation, although summer schedules are not yet finalized.

Our air service team is fully engaged with the airlines both through airline visits and attending air service conferences. In May 2024, Brian Kidd (Director of Marketing and Air Service Development) and Austin Wright will attend ACI JumpStart in Washington, DC to meet with a full slate of domestic, Mexican, and Canadian carriers. One of our primary goals is to restore international service to TUS, while continuing to add seat capacity on existing TUS routes, and to retain and extend the season on our new and reinstated routes: Orange County, Dallas-Love, Chicago-Midway and Everett/North Seattle.

Date: March 6, 2024

To: Board of Directors
From: Ken Nichols, Vice President of Airport Development
Re: Airport Development Division Update

This report provides an update on activities since the December 6, 2023 Board Meeting.

Capital Improvement Program (CIP):

Staff is currently proceeding with several projects approved in the FY24 budget in coordination with previously approved projects.

New FY24 Projects that started since December include:

- Outbound Baggage Handling Systems Rehabilitation for Alaska, Delta, and United
- Concept Development for In-Line Baggage Handling System
- Terminal Roadway Rehabilitation

Airfield Safety Enhancement (ASE) Program:

The Airfield Safety Enhancement (ASE) Program is a critical safety project and the largest capital program in the history of the TAA. The multi-year \$400+ million program of projects (in 2023 dollars) will transform the airfield layout at TUS to meet the latest FAA safety standards as part of the FAA Runway Incursion Mitigation Program. The program includes four major projects, land exchanges, and noise mitigation.

Recent Accomplishments (since December meeting)

- Substantial completion of the End Around Taxiway Project
- Major earthwork related to drainage and the outboard taxiway
- Removal of Runway 11R/29L
- Began construction of the first phase of new runway

Anticipated Activities (prior to April meeting)

- Completion of Land Exchange with USAF (Parcels F & G)
- Submit grant application for the second phase of the new runway.

Funding Needs and Strategy

The funding strategy presented in the September 6, 2023 Board update was developed in close consultation with the FAA and ADOT to ensure the ASE Program is completed in the next four years.

REMAINING ASE PROGRAM FUNDING REQUIREMENTS PROJECTION						
Year	Phase Description	Total Cost	Federal	State	TAA	
FY 2024	New Runway Construction-Phase 1	\$ 90,000,000	\$ 63,151,231	\$ 3,100,000	\$ 23,748,769	
FY 2025	New Runway Construction-Phase 2	\$ 90,000,000	\$ 63,151,231	\$ 3,100,000	\$ 23,748,769	
FY 2026	Roadway and Fencing	\$ 6,000,000	\$ 5,463,600	\$ 268,200	\$ 268,200	
FY 2026	Connecting Taxiways-Phase 1	\$ 33,638,346	\$ 30,631,078	\$ 1,503,634	\$ 1,503,634	
FY 2027	Connecting Taxiways-Phase 2	\$ 32,911,366	\$ 29,969,090	\$ 1,471,138	\$ 1,471,138	
As Programmed	Land Exchange Reimbursement	\$ 19,000,000	\$ 17,301,400	\$ 849,300	\$ 849,300	
Total		\$ 271,549,712	\$ 209,667,630	\$ 10,292,272	\$ 51,589,810	

The funding strategy depends on a number of factors, including and not limited to the FAA Reauthorization and annual appropriations to ensure that grant funds flow in coordination with the work effort and in a timely manner. Please note the TAA has exceptional relationships with key FAA personnel and works closely with the FAA’s Airport District Office to ensure our critical safety project is considered a priority for discretionary funds as well.

As of the date of this memo, the FAA continues to operate under a Continuing Resolution. The TAA is closely monitoring the status of reauthorization and appropriations; we have developed a contingent funding strategy that will ensure work continues while the legislation is in progress. The strategy for FY2024 recognizes that multiple grants will be issued throughout the funding year and breaks the work into smaller packages that can be efficiently constructed with incremental work authorizations.

We will continue to keep you abreast of this important project.