
**TUCSON AIRPORT AUTHORITY | Board of Directors Regular Meeting
Wednesday, April 3, 2024 | 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.

1. CALL TO ORDER | ROLL CALL

Chair Silvyn called the meeting to order at 3:01 p.m.

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

Directors Absent: Director Calline Sanchez and Director Fran Katz

Others Present: TAA Member Carol Stewart

Staff Present: President/CEO Danette Bewley, Executive Vice President/Chief Operating Officer (COO) Bruce Goetz, Executive Vice President/General Counsel Christopher Schmaltz, Vice President/Chief Revenue Officer (CRO) John Voorhees, Vice President of Airport Development Ken Nichols, Vice President/Chief Financial Officer (CFO) Kim Allison, Vice President of Operations Christopher Deitz, Chief Communications Officer Austin Wright, Deputy General Counsel Kim Outlaw Ryan, IT Customer Support Technician Hector Lopez, and TAA Clerk Byron Jones

2. CONSENT AGENDA

a. Approval of Minutes (From March 6, 2024)

b. Advisory Council Appointments

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

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

Nays (0)

3. BOARD CHAIR REPORT

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

Chair Silvyn reported that Fire Captain Scott Lackey was appointed to the Pima County Health Department's Fatality Review Board. This board reviews fatalities, mostly caused by opioids, to determine whether any mitigation measures can be implemented to increase the chances of survival. Input from certified emergency medical technicians is crucial as they are often the first to interact with patients.

4. PRESIDENT/CEO REPORT

State of the Industry | Update

President/CEO Danette Bewley reported the following:

- ❑ TAA staff attended the ACI-NA/AAAE Legislative Conference in Washington, D.C., and met with members of the Arizona Congressional Delegation. They continued to advocate for additional funding to be included in the Federal Aviation Administration (FAA) Reauthorization Bill for infrastructure projects and the Federal Contract Tower Program, which benefits Ryan Airfield (RYN).
- ❑ TAA submitted a position letter to the United States Senate's Committee on Environment and Public Works, which held a hearing the following week to examine PFAS (per- and Polyfluoroalkyl substances) as a hazardous substance. TAA is advocating for liability protections for airports, which were required by the FAA to use firefighting foam containing PFAS in order to maintain their FAA Part 139 certification.
- ❑ Five additional slots (or exemptions) have been added to the Reagan National Airport (DCA) Perimeter Rule. No information has been released as to how the lottery system will work.
- ❑ The Transportation Security Administration (TSA) is continuing its push to shift certain funding responsibilities onto airports to allow the United States Department of Homeland Security to surge additional resources to respond to issues on the border. Effective immediately, TSA has discontinued grant reimbursements for the Explosive Detection K-9 teams and the Law Enforcement Officer (LEO) Reimbursement Program, which totaled \$450,000 per year.

Since TAA is currently halfway through its fiscal year, the reimbursements lost for the remainder of the year is approximately \$225,000. This loss will be absorbed in the current budget. Going forward, TAA will address these costs with the airlines and include the full cost of the programs in the annual budget.

5. ACTION ITEMS

a. Stella ES Ground Lease

Vice President/CRO John Voorhees presented. Stella Energy Solutions (Stella ES) responded to an RFP from Tucson Electric Power (TEP) to provide energy production and storage solutions. Stella ES has proposed leasing 40 acres of TAA-owned land in Sonora East to construct an Electric Storage System (ESS) facility that will interconnect with TEP's grid. Execution of the lease is contingent upon TEP awarding the ESS contract to Stella ES; however, the company is still interested in developing the site to serve industrial projects in the area. In this event, TAA and Stella ES would renegotiate the scope of the lease to meet their immediate needs.

Motion by Treasurer Falbaum, seconded by Secretary Swaim, to adopt Resolution No. 2024-08 authorizing the President/CEO or her designee(s) to execute a ground lease with Stella ES for approximately 40 acres of TAA-owned non-aeronautical property to construct an energy storage facility, subject to key business terms. The motion carried by the following vote:

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

Nays (0)

b. TBM Inc. Facility Lease

Vice President/CRO John Voorhees presented. Aergo TUS (Aergo) constructed and currently operates a facility on TAA-owned property located at 2810 East Airport Drive. Aergo has been operating and subleasing the facility for many years, but they have had difficulty in recent years finding a compatible tenant. Aergo hired a real estate broker to advertise and to manage the facility. TBM, Inc. (TBM), an aircraft cargo and logistics company, responded to the advertisement, with an interest in subleasing the facility for 15 years to allow them to amortize all of the improvements they will make to the facility. Aergo did not have the authority to enter into an agreement beyond their current ground lease, which expires in five years. Aergo is willing (and TAA has agreed) to an early termination of the current ground lease contingent upon the successful execution of a facility lease with TBM.

The improvements TBM will make to the facility total \$391,000. To finance these improvements, TAA has agreed to a tenant improvement allowance in the form of rent credits of up to \$3,000 per month until the allowance has been expended. At

that point, the rent will reset to the then-prevailing base rent for the remainder of the lease. TAA projects a best-case revenue of \$2.9M over 15 years. This amount does not include expected revenues from administrative fees, fuel flowage, aircraft landing fees, and common area maintenance fees.

Motion by Director Wheeler, seconded by Vice Chair Hammond, to adopt Resolution No. 2024-09 authorizing the President/CEO or her designee(s) to execute a facility lease with TBM, Inc., to include capital improvements to the proposed facility and other key business terms. The motion carried by the following vote:

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

Nays (0)

6. DIVISION UPDATES

a. Finance and Regulatory Administration

Vice President/CFO Kim Allison gave an overview of the FY 2024 first quarter and the December 2023 financials and aviation activity.

Landed Weight:

- December was 1.0% under budget (7.6% higher than FY 2023).
- Year-to-date was 0.2% below budget (6.9% higher than FY 2023). Overall, landed weight is tracking close to budget.

Passenger Volume:

- December was 1.2% over budget (13.5% higher than FY 2023).
- Year-to-date was 1.1% over budget (10.5% higher than FY 2023).
- The load factor (percentage of passenger volume compared to seat capacity) for the first quarter was 92.3% and is trending upward.

Revenues and Expenses (First Quarter):

- Year-to-date revenues were approximately \$13.1M.
- Year-to-date expenses were approximately \$9.9M.
- Revenues and expenses were both favorable to budget.

b. Marketing and Air Service Development

Chief Communications Officer Austin Wright reported the following:

- February and March were the busiest months compared to 2008 and 2016, respectively.
- The United States Department of Transportation issued a study on airport growth. TUS tied for second among its 14 peer airports on the west coast. Since September 2023, TUS has been operating above pre-pandemic passenger levels.
- TAA was the keynote sponsor of the Marana State-of-the-Town event. Marana is a high priority for TAA’s marketing efforts due to the high amount of leakage to Phoenix Sky Harbor (PHX).
- TAA has entered into a marketing partnership with the FC Tucson Soccer Club to display TUS-branded marketing on field, and it has renewed its partnership with *Broadway in Tucson* for another season.

7. NEXT MEETING

Wednesday, June 5, 2024, 3:00 p.m. | Hybrid Meeting – TAA Board Room and Microsoft Teams

8. ADJOURN

There being no further business to discuss, Chair Silvyn adjourned the meeting at 3:45 p.m.

APPROVED BY:

Phil Swaim
Phil Swaim (Sep 5, 2024 14:52 PDT)
Phil Swaim, Secretary

Date: September 5, 2024

Prepared by:

Byron Jones
Byron Jones (Sep 5, 2024 14:33 PDT)
Byron Jones, TAA Clerk

Date: September 5, 2024