
**TUCSON AIRPORT AUTHORITY | Board of Directors Regular Meeting
Wednesday, March 5, 2025 | 3:00 p.m.
7250 S. Tucson Blvd. 85756 | TAA Board Room**

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 5, 2025, beginning at 3:00 p.m.**

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

The Board may vote to go into executive session pursuant to [A.R.S. § 38-431.03\(A\)\(3\)](#) for the purpose of legal advice on any item on the agenda. If authorized by a majority vote of the Board members, the executive session will be held immediately after the vote and will not be open to the public.

The agenda for the meeting is as follows:

1. CALL TO ORDER | ROLL CALL

Mike Hammond, Chair	Todd Jackson, Director
Phil Swaim, Vice Chair	Fran Katz, Director
Rhonda Piña, Treasurer	Ellen Wheeler, Director
Vance Falbaum, Secretary	Tim Overton, Director
Judy Rich, Director	Keri Silvyn, Director, Immediate Past Chair
Calline Sanchez, Director	

2. CONSENT AGENDA

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

a. Approval of Minutes

Approve the minutes of the Board of Directors Regular Meeting held on January 27, 2025.

3. BOARD CHAIR REPORT

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

4. PRESIDENT/CEO REPORT

- a. State of the Industry | Update
- b. Overview of Aircraft Incident Investigations
- c. Strategic Plan 3.0 Updates

5. ACTION ITEM

Mitsubishi Heavy Industries Regional Jet (MHIRJ) Ground Lease

The Board of Directors will consider and may adopt Resolution No. 2025-05 authorizing the President/CEO or her designee(s) to execute a new ground lease with MHIRJ, subject to key business terms.

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.

Marketing and Air Service Development

7. EXECUTIVE SESSION

a. Federal Executive Orders and Potential Impacts

The Board of Directors may vote to discuss and to consult with Executive Vice President/General Counsel or his designee, for legal advice regarding potential impacts to TAA funding and operations related to new administration actions and directives, as provided in [A.R.S. § 38-431.03\(A\)\(3\)](#).

b. Environmental Matters

The Board of Directors may vote to discuss and to consult with the TAA's Executive Vice President/General Counsel or his designee, for legal advice and to consider its opinion and to instruct its representatives regarding existing litigation and potential litigation related to existing and future environmental liabilities, investigation, and remediation matters including the Tucson Airport Remediation Project, the Soils

Remediation Project, and PFAS related matters as provided in [A.R.S. § 38-431.03\(A\)\(3\) and \(4\)](#).

c. Employee Termination Appeal Policy

The Board of Directors may vote to discuss and to consult with the TAA’s Executive Vice President/General Counsel or his designee, for legal advice regarding the policy update as provided in [A.R.S. § 38-431.03\(A\)\(3\)](#).

8. RETURN TO REGULAR SESSION

Employee Appeal Policy

The Board of Directors will consider and may adopt Resolution No. 2025-06 approving the 2025 TAA Employee Appeal Policy, or direct staff to proceed as discussed in Executive Session.

9. NEXT MEETING

Wednesday, May 7, 2025 at 3:00 p.m. | TAA Board Room

10. ADJOURN

**TUCSON AIRPORT AUTHORITY | Board of Directors Regular Meeting
Monday, January 27, 2025 | Approximately 10:15 a.m.
Hacienda del Sol Guest Ranch Resort | Casa Feliz
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 CASA FELIZ ROOM OF THE HACIENDA DEL SOL GUEST RANCH RESORT. THE MEETING BEGAN SHORTLY AFTER ADJOURNMENT OF THE TAA ANNUAL MEETING.

1. CALL TO ORDER | ROLL CALL

Chris Schmaltz, Executive Vice President and General Counsel called the meeting to order at 10:20 am.

Directors Present: Director Mike Hammond, Immediate Past Chair Keri Silvyn, Director Vance Falbaum, Director Rhonda Piña, Director Todd Jackson, Director Fran Katz, Director Tim Overton, Director Calline Sanchez, Director Phil Swaim, Director Ellen Wheeler

Directors Absent: Director Judy Rich

Staff Present: President/CEO Danette Bewley, Executive Vice President/Chief Operating Officer Bruce Goetz, Executive Vice President/General Counsel Chris Schmaltz, Vice President/Chief Financial Officer Kim Allison, Vice President/Chief Information Officer Anthony Casella, Vice President of Operations Chris Deitz, Chief Communications Officer Austin Wright, Chief People Officer Kim DeLaTorre, Deputy General Counsel Kim Outlaw Ryan, IT Customer Support Technicians Hector Lopez and Kris Kmak, Executive Assistant Kristinna Koeltzow, and Legal Assistant and acting TAA Clerk Jennifer Shields

2. ELECTION OF OFFICERS

Mr. Schmaltz reported that the Nominating Council recommended the following slate of corporate officers for 2025: Chair Mike Hammond, Vice Chair Phil Swaim, Secretary Vance Falbaum, and Treasurer Rhonda Piña. There was no discussion.

Motion by Immediate Past Chair Silvyn, seconded by Director Katz, to elect as corporate officers for 2025: Director Hammond (Chair), Phil Swaim (Vice Chair) Director Falbaum (Secretary), and Director Piña (Treasurer). The motion carried by the following vote:

Ayes (10) Silvyn, Hammond, Swaim, Falbaum, Jackson, Katz, Overton, Sanchez, Piña, and Wheeler

Nays (0)

3. BOARD TRAINING | DISCUSSION

Mr. Schmaltz and Deputy General Counsel Kim Outlaw Ryan gave a training to the Board about TAA’s corporate structure and governance, the fiduciary responsibilities of the Board of Directors, and compliance with state law related to Open Meetings and Public Records. The slide deck for the training is incorporated into these minutes.

4. CONSENT AGENDA

Resolution No. 2025-03 was pulled from the consent agenda to replace the previous Advisory Council list with an updated version. There was discussion regarding the new members added and the board agreed to replace the updated list as the exhibit to Resolution No. 2025-03.

a. Advisory Council Appointments

Adopt Resolution No. 2025-03, as amended, approving the Chair of the Board’s recommended appointments to the TAA’s Advisory Councils.

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

Ayes (10) Hammond, Falbaum, Jackson, Katz, Overton, Piña, Sanchez, Silvyn, Swaim, and Wheeler

Nays (0)

A motion was requested for the remainder of the Consent Agenda which included:

b. Approval of Minutes

c. Delegation of Grant Authority to the President/CEO for 2025 (Res. No. 2025-01)

d. Board of Directors Meeting Schedule for 2025 and setting the date for the Annual meeting for January 2026 (Res No. 2025-02)

e. Request for Emeritus Status - Lea Márquez Peterson (Res. No. 2025-04)

Motion by Director Wheeler, seconded by Director Jackson, to approve the remainder of the Consent Agenda. The motion carried by the following vote:

Ayes (10) Hammond, Falbaum, Jackson, Katz, Overton, Piña, Sanchez, Silvyn, Swaim, and Wheeler

Nays (0)

5. DIVISION UPDATES

Finance and Regulatory Administration

Vice President/Chief Financial Officer Kim Allison gave an overview of the 2023-2024 financials and aviation activity. There was discussion on the potential impacts of reduced immigrant travel out of TUS, and a request was made of staff to provide more information on the issue at the next Board meeting. The presentation materials for this item are incorporated into these minutes.

6. EXECUTIVE SESSION

Motion by Director Katz and seconded by Director Piña to enter executive session. The motion was carried by the following vote:

Ayes (10) Hammond, Falbaum, Jackson, Katz, Overton, Piña, Sanchez, Silvyn, Swaim, and Wheeler

Nays (0)

The executive session commenced at 11:00 a.m.

7. RETURN FROM EXECUTIVE SESSION

The Board returned to the Regular meeting from Executive Session at 11:15 a.m.

8. NEXT MEETING

Wednesday, March 5, 2025, 3:00 p.m. | TAA Board Room

9. ADJOURN

There being no further business to discuss, Chair Hammond adjourned the meeting at 11:20 a.m.

APPROVED BY:

Prepared by:

Vance Falbaum, Secretary

Jennifer Shields, Acting TAA Clerk

Date: _____

Date: _____

Date: March 5, 2025

To: Board of Directors
From: Bruce Goetz, Executive Vice President/COO
Re: TAA Strategic Plan 3.0 Update | October 2024 – January 2025

In November 2024 the Board of Directors adopted a new update to the TAA Strategic Plan (Version 3.0).

The attached report provides full detail of the progress made for the months of October 2024 through January 2025. I want to highlight a few specific items.

1. Accelerate Performance

- a. People Operations business re-organization is complete, and business partners are regularly engaged with the divisions they support.
- b. Annualized attrition is down 10.7% since FY2022. The implementation of retention strategies to ensure we are competitive with pay in the job market continue to show positive results for both hiring and retention. Our current annualized attrition rate (Jan 24 – Jan 25) is 18.5%.

2. Expand Prosperity

The TAA continues its efforts to lease/develop non-aeronautical land at TUS and RYN.

A few notable updates include:

- a. Revenue per Enplaned Passenger (RPE) – While there was a slight decrease in passengers, RPE increased due to increased minimum annual guarantees from the rental car companies and an increase in food and beverage pricing and an expanded seating area for concessions.
- b. AES Solar will likely execute their lease option in the first quarter of FY25.
- c. Airline Use Agreement (AUA): Initial draft is complete and under review by the airlines. Negotiations continue with an expectation of completion by the end of FY25.

3. Project Excellence

- a. Sustainability: Work is underway to develop goals and initiatives. Estimated completion of the study is now Q3FY25. This project has experienced delays due to the attention required on TAA/EPA discussions (separate environmental matter).
- b. Technology: Work has started on several important technology upgrades that were included in the FY24 budget.
 - Construction and installation of the Parking and Revenue Control System is nearly complete and we project substantial completion in March.
- c. Cyber security: IT staff hosted the Transportation Security Administration which conducted its first TAA cyber security inspection in February. The team has spent a considerable amount of time writing plans and implementing best practices to be prepared for this regulatory inspection.
- d. Checked Baggage Inspection System (CBIS): The TAA has hired RS&H, design and baggage consultant, to assist in scope of work and concept drawings through full design. The TSA is partnering with the TAA and has offered a grant up to \$28M for eligible costs.

4. Create TAA External Champions

- a. Air Service/Airlines:
 - TUS continues to see increased air service offerings due to active engagement between the TAA and our airline partners. Frontier Airlines has announced they will be returning to TUS on March 3, 2025.
 - Outbound traffic was down for the quarter due to a reduction in immigrant travel, however inbound traffic was up for the same time period.
- b. Advocacy Planning: The Marketing and Strategic Communications Team along with the CEO have been working to host a meeting of legislative leaders at the Airport in February to promote and advocate for airport issues and needs. Unfortunately, this meeting had to be rescheduled due to scheduling conflicts. The TAA will propose a new date soon. In addition, the TAA continues to send a monthly 'Member Advisory,' which includes timely information. TAA continues to meet with numerous groups to attract new air service.



Strategic Plan 3.0

Strategic Initiatives

<p style="writing-mode: vertical-rl; transform: rotate(180deg);">STRATEGIC INITIATIVES</p>   <p>STRATEGIC INITIATIVES</p>					
		 <p>EXPAND PROSPERITY</p>	 <p>ACCELERATE PERFORMANCE</p>	 <p>PROJECT EXCELLENCE</p>	 <p>TAA CHAMPIONS</p>
	<p><i>Continue the Transformational Journey</i></p>	<p><i>Powering Growth</i></p>	<p><i>Leverage Talent to Support Investments (Projects, Programs, and Initiatives)</i></p>	<p><i>Modernize Airfield Safety and Terminal Complex</i></p>	<p><i>Drive the Vision</i></p>
	<p><i>The Future is Now</i></p>	<p><i>Invest to Support Economic Demand</i></p>	<p><i>Energize Leadership for our Workforce of the Future</i></p>	<p><i>Evolve Innovation and Agility</i></p>	<p><i>Elevate Advocacy</i></p>
	<p><i>The Power of Engagement</i></p>	<p><i>Realize the Benefits of a Connected Community</i></p>	<p><i>Secure Recognition as Employer of Choice</i></p>	<p><i>Embed Efficiency and System Reliability</i></p>	<p><i>Engage Community and Industry Change Makers</i></p>

FY2025 – FY2027



Goal	Owner	Q4 '24	Q1 '25	Q2 '25	Q3 '25	Q4 '25	Status	Focus Areas	Board Update																																								
Develop Business Intelligence practices to timely track and positively influence airport revenue generation trends	John Voorhees						On Track	<ul style="list-style-type: none"> Develop Business Intelligence practices to timely track and positively influence airport revenue generation trends. 	<ul style="list-style-type: none"> BCD staff have begun tracking metrics to provide indicators of business health. Though there are many other data points available (and still others in coordination with our tenants), the following KPIs highlight TAA Concessions revenue trends. Revenue per enplaned passenger (RPE) is a common airport data point to assess concession success. In time BCD will report on Market share, Customer satisfaction, Lease values, and other metrics that inform business decisions: <table border="1" data-bbox="1905 475 2448 768"> <thead> <tr> <th colspan="4">FY2025 (YTD) CONCESSIONS & GT RPE</th> </tr> <tr> <th></th> <th>Oct</th> <th>Nov</th> <th>Dec</th> </tr> </thead> <tbody> <tr> <td>Parking</td> <td>\$5.41</td> <td>\$4.77</td> <td>\$4.75</td> </tr> <tr> <td>Rental Car</td> <td>\$4.93</td> <td>\$5.11</td> <td>\$4.30</td> </tr> <tr> <td>Retail, F&B</td> <td>\$1.44</td> <td>\$1.50</td> <td>\$1.43</td> </tr> <tr> <td>Ground Transportation</td> <td>\$0.94</td> <td>\$0.99</td> <td>\$0.94</td> </tr> <tr> <td>Other</td> <td>\$0.09</td> <td>\$0.11</td> <td>\$0.09</td> </tr> <tr> <td>OVERALL RPE - FY 2025</td> <td>12.81</td> <td>12.47</td> <td>11.52</td> </tr> <tr> <td>OVERALL RPE - FY 2024</td> <td>11.38</td> <td>10.91</td> <td>9.36</td> </tr> <tr> <td>%Chng (24/25)</td> <td>12.57%</td> <td>14.32%</td> <td>22.98%</td> </tr> </tbody> </table> <ul style="list-style-type: none"> RPE for Oct – Dec 24 increased while enplanements over the same period declined (Oct -2.6%, Nov – 5.8%, Dec -2.6%). This increased revenue was due in part to new rental car contracts with increased company commitments (MAG), increased F&B pricing (street pricing plus 10%), increased seating capacity at the F&B concessions, and new menu items. VP/CRO met with President and COO of Delaware North (DN) as well as VP of Business Development and other members of DN's executive team. The conversation revolved around customer satisfaction, immediate plans for food and beverage services in the terminal, and future plans for the terminal. <ul style="list-style-type: none"> DN will be starting cashless operations in the terminal (with the exception of seated dining) in March 2025. DN submitted a tenant improvement to install cashless kiosks at terminal locations. 	FY2025 (YTD) CONCESSIONS & GT RPE					Oct	Nov	Dec	Parking	\$5.41	\$4.77	\$4.75	Rental Car	\$4.93	\$5.11	\$4.30	Retail, F&B	\$1.44	\$1.50	\$1.43	Ground Transportation	\$0.94	\$0.99	\$0.94	Other	\$0.09	\$0.11	\$0.09	OVERALL RPE - FY 2025	12.81	12.47	11.52	OVERALL RPE - FY 2024	11.38	10.91	9.36	%Chng (24/25)	12.57%	14.32%	22.98%
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Market/Develop the TAA land to enhance the revenue stream and ensure economic stability	John Voorhees						On Track	<ul style="list-style-type: none"> Continue to market/develop the TAA land to enhance the revenue stream and ensure economic stability. 	<ul style="list-style-type: none"> VP/CRO hosted site visits from: <ul style="list-style-type: none"> General Aviation (GA) hangar developer. An agreement on terms is pending. Client desires a 40 year+ lease to construct the first of three potential GA projects. Waiting to see design to determine if lease term is appropriate EV Aircraft Manufacturer – seeking terms for 350,000 SF bldg. complex (national search) Flight School at RYN – seeking terms for 60,000 SF flight school and ramp (international client) AES solar will likely execute their lease option in February/March pending final land survey results. BCD staff has interest from another EV aircraft manufacturer. Details of the new facility are pending. Sonora North Environmental Assessment is on hold pending TAA procurement of a developer. Negotiations ongoing with development company. US Customs and Border Protection provided LOI for 6868 S. Plumer Ave. TAA awaiting response on counterproposal. Could yield \$350,000 in annual revenue. Project Farm requires a third appraisal. The client and TAA are mutually vetting the third-party appraiser. Negotiations continue.



Goal	Owner	Q4 '24	Q1 '25	Q2 '25	Q3 '25	Q4 '25	Status	Focus Areas	Board Update
Negotiate Airline Use Agreement <ul style="list-style-type: none"> Finalize new AUA into a fully adopted long term agreement between the airlines and the TAA 	Austin Wright						On Track	<ul style="list-style-type: none"> Execute 10-yr AUA. Begin enabling project planning initiatives that support long-term goal of terminal modernization, including concessions and parking programs. These elements require Airline support/MII approval). 	<ul style="list-style-type: none"> First AUA draft has been provided to the Airlines. There have been two meetings (January and February 2025) to review and discuss Airline edits. In addition, Airlines are running the draft by their legal departments. We will continue to work collaboratively with the Airlines to have the new AUA in place and executed by the start of FY 26. Checked Baggage Inspection System (CBIS) – Design consultant, RS&H, hired; coordinating with TSA on concept design. TSA has provided an Other Transaction Agreement (grant) in the amount not to exceed \$28M for eligible elements of the project.
Expand Air Service Development Options <ul style="list-style-type: none"> Continue to focus on capacity growth with existing carriers Work to engage airline partners to add new markets Align marketing efforts with air service initiatives to drive demand at TUS 	Austin Wright						On Track	<ul style="list-style-type: none"> Frontier Airlines starts service on March 3, 2025. This marks the 7th airline serving TUS. In addition, the TAA met with 12 airlines at Routes Americas conference in February 2025. TUS is facing a headwind of up to 10% because of the significant decline of immigrant traffic. While inbound traffic is strong, we are focused on increasing local demand to absorb the high growth percentages at TUS. 	



Goal	Owner	Q4 '24	Q1 '25	Q2 '25	Q3 '25	Q4 '25	Status	Focus Areas	Board Update
Evaluate, update, and implement Market-Driven Total Rewards.	Kim DeLaTorre						On Track	<ul style="list-style-type: none"> Leverage competitive employment packages to attract and retain top-tier talent as indicated by reductions in regrettable attrition and increased offer acceptance. Update the TAA employment processes and policies in support of the workforce of the future. 	<ul style="list-style-type: none"> TAA continues to see positive progress on talent retention and acceptance of offers. TAA's filled headcount has been on a positive trend since 2021 with a current filled full-time headcount of 246 (authorized for 285). So far for FY25, there have been 17 new hires. Overall annualized attrition is down ~10.7% since Fiscal Year 2022. TAA is working on reviewing compensation ranges for select roles, updating various employment policies, and assessing strategic options with employee benefits to remain market competitive.
Increase efficiency and embed People Operations as business partners in the Airport system.	Kim DeLaTorre						On Track	<ul style="list-style-type: none"> Expand workforce analysis to support organizational priorities, by closely examining team capabilities and capacities, acquiring resilient talent, and utilizing data to support leadership decision-making. 	<ul style="list-style-type: none"> TAA People Operations is working with leaders to expand the utilization of TAA leadership fundamentals through the organization. In Q1, People Operations business partners have met with all directors and above to assess talent and support needs.
Unlock potential through expanded leader driven Performance Management.	Kim DeLaTorre						On Track	<ul style="list-style-type: none"> Continued focus on position specific and behavioral based Performance Management preparing leaders to unlock potential through clear expectations, goals, and consistent feedback to discuss progress. 	<ul style="list-style-type: none"> TAA kicked off the performance management year in January 2025 with continued improvements to system, process, and resources for team members and leaders directed at performance excellence. 100% of team members have Performance Management goals loaded in Paycom; People Operations will be conducting quarterly reviews to provide leadership with a status of activity and engagement.
Benchmark and invest in Culture and Team Member Engagement.	Kim DeLaTorre						On Track	<ul style="list-style-type: none"> Employ competitive benchmarking for the TAA employee value proposition using data-driven best practices and research for workplaces. 	<ul style="list-style-type: none"> People Operations is researching best practices to make a recommendation regarding an expanded survey approach for the organization; and embedding best practices into policy changes, processes, and team member engagement opportunities.

Goal	Owner	Q4 '24	Q1 '25	Q2 '25	Q3 '25	Q4 '25	Status	Focus Areas	Board Update
ASE Program: Complete Construction and Commissioning of the New Commercial Runway	Bruce Goetz						On Track	<ul style="list-style-type: none"> ➤ Continue construction of the ASE Program; deliver project results that meet FAA safety standards and criteria. ➤ Develop a comprehensive funding strategy for infrastructure improvements; optimize grant funding opportunities in conjunction with appropriate financing. 	<ul style="list-style-type: none"> ➤ New Taxiway C opened February. ➤ Contract awarded to Granite for GMP 3C was executed in November for \$54.7mil. Additional contracts were awarded to WSP and HDR Engineering for \$5.8mil for project management/construction management services. The duration of this phase is 14 months and started late November 2024.
ASE Program: Update City of Tucson and Pima County Zoning Code and Comprehensive Planning Documents to Reflect Airfield Configuration at the Completion of the ASE Program	Bruce Goetz						Not Started	<ul style="list-style-type: none"> ➤ Update Airport Environs Zones 	<ul style="list-style-type: none"> ➤ Beginning in March, the TAA Planning Department will begin work with the City of Tucson and Pima County staff to determine what the current process is to begin revisions to the Airport Environs Zones to reflect the ASE project. It is estimated this will take approximately two years to complete.
Implement Sustainability Management Plan	Bruce Goetz						On Track	<ul style="list-style-type: none"> ➤ Develop sustainability strategies. ➤ Develop Implementation Plan 	<ul style="list-style-type: none"> ➤ Sustainability principles and strategies are complete, and the team is working on prioritization and an implementation plan. ➤ An implementation plan workshop with our team is scheduled for March. We anticipate having a draft of the Sustainability Master Plan available at the end of April.
Develop Comprehensive Pavement Management Program	Bruce Goetz						On Track	<ul style="list-style-type: none"> ➤ Review and update Pavement Management Program 	<ul style="list-style-type: none"> ➤ Project completed in December. Pavement maintenance items to be prioritized for annual budget cycles.



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Scope Enterprise Documentation Strategy	Anthony Casella						On Track	<ul style="list-style-type: none"> ➤ Complete Information Technology initiatives. 	<ul style="list-style-type: none"> ➤ Phase 1 is on track and nearly complete; however, phase 2 will not start until FY 26 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 – clean up and archive of files – in progress
TAA Cyber Security Program	Anthony Casella						On Track	<ul style="list-style-type: none"> ➤ Complete elements related to cyber security and disaster recovery 	<ul style="list-style-type: none"> ➤ TSA Inspection – Conducted in February. ➤ Cyber Risk Assessment Policy – Complete ➤ Least Privileged Access to critical systems – in testing phase ➤ Procedure/Policy Cyber development per mandate – ongoing ➤ Disaster Recovery/Business Continuity plan – in progress
Project Management Office (PMO)	Anthony Casella						On Track		<ul style="list-style-type: none"> ➤ Project Management Office (PMO) has been stood up and is now staffed. The team is working on implementation of new Microsoft Project software. The Vendor should have the implementation complete in February with a go live date in March.



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Implement Airport Management System	Anthony Casella						On Track	<ul style="list-style-type: none"> ➤ Complete Information Technology initiatives. 	<ul style="list-style-type: none"> ➤ Airport Management System scope of work is nearly complete. Anticipate to issue RFP in March 2025.
Implement new Financial System	Anthony Casella						Not Started	<ul style="list-style-type: none"> ➤ Develop and implement new financial system. 	<ul style="list-style-type: none"> ➤ We do not anticipate starting this until the Q2 FY26.
Install new Access Control System	Anthony Casella						On Track	<ul style="list-style-type: none"> ➤ Define needs for Access Control System that meet TSA requirements; implement project. 	<ul style="list-style-type: none"> ➤ Scope of work development is complete. Finalizing costs with vendor to be complete in February.



Goal	Owner	Q4 '24	Q1 '25	Q2 '25	Q3 '25	Q4 '25	Status	Focus Areas	Board Update
<p>Leverage the Board of Directors and Membership to be positive voices of advocacy in our community.</p> <ul style="list-style-type: none"> Continue to regularly communicate via Member Advisory and Top 3 for Advocacy the top points where our Member network can expand outreach efforts Support the TAA with efforts that require influence and expertise 	Austin Wright						On Track	<ul style="list-style-type: none"> Board and Membership continue to serve as a strategic tool for championing the mission of the TAA. Airline relationships and strategic management of the TAA cost structure will have a positive result in increased air service, and a higher revenue yield for the TAA. TAA is recognized as an industry leader, positioning TUS as a top performing airport to allow for future growth and prosperity. 	<ul style="list-style-type: none"> The TAA continues to communicate regularly with the Board and Membership with our 'Top 3 for Advocacy' and 'Member Advisory' information. In addition, we have shared to the 'Year in Review' video to ensure there is full knowledge of the progress being made at our airports. The TAA continues to engage in our community through partnerships and sponsorships to ensure our message of flying locally with ease is received and leakage is reduced and/or flights are added.
<p>Continue Outreach and Partnerships within the Tourism Sector</p> <ul style="list-style-type: none"> Establish key partnership with University of Arizona Leverage tourism partners like Visit Tucson to attract business and air service to the region Maintain our position as an airport that is a community and business partner that is easy to do business with; fostering revenue growth and expansion 	Austin Wright						On Track	<ul style="list-style-type: none"> Develop community partnership to garner use of TUS. Airline relationships and strategic management of the TAA cost structure will have a positive result in increased air service. TAA is recognized as an industry leader, positioning TUS as a top performing airport to allow for future growth and prosperity. 	<ul style="list-style-type: none"> The TAA continue to engage in our community through partnerships and sponsorships to ensure our message of flying locally with ease is received and leakage is reduced and/or new flights are added. Most notably TAA was the featured sponsor of the Tucson Roadrunners game on January 31st. In addition, we held meetings in January 2025 with Blake Eager of the Southern Arizona Sports, Tourism, and Film group as we work to build collaborative relationships to attract new air service related to support the needs of sports. We continue to engage with Visit Tucson and serve on their board as they are a critical entity in selling our city as a destination. Inbound traffic is strong.



Goal	Owner	Q4 '24	Q1 '25	Q2 '25	Q3 '25	Q4 '25	Status	Focus Areas	Board Update
<p>Leverage Community and Industry Champions to advance the interests of the TAA at a National, Regional, and local level</p> <ul style="list-style-type: none"> • Airlines champion TAA because of its cost-effective structure • The community values the TAA because of its ease of use and strong economic impact • Nationally the TAA is well positioned with legislators to be positioned appropriately for funding and advancement opportunities. 	Austin Wright						On Track	<ul style="list-style-type: none"> ➤ TAA expands communication and is recognized as a community leader. ➤ Define 2025 Legislative Priorities 	<ul style="list-style-type: none"> ➤ The TAA will host local elected leaders at TUS in February 2025 to discuss airport trends and the ASE Program (a tour of the airfield is included). ➤ Developing legislative priorities document for Congressional visits in March 2025.

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE TUCSON AIRPORT AUTHORITY, INC., AUTHORIZING THE PRESIDENT/CEO OR HER DESIGNEE(S) TO EXECUTE A NEW GROUND LEASE WITH MITSUBISHI HEAVY INDUSTRIES REGIONAL JET.

WHEREAS TAA and Mitsubishi Heavy Industries Regional Jet (MHIRJ) have been in active negotiations to renew their contract, which is set to expire on December 31, 2025; and

WHEREAS TAA and MHIRJ agree to an initial term for a new ground lease of approximately 6 years, with two 5-year extension options of the current lease; and

WHEREAS MHIRJ agrees, in addition to other terms and conditions, to a minimum capital investment of \$6,900,000 during the new ground lease term; and

WHEREAS maintaining and renewing a lease with a long-standing tenant supports TAA’s strategic initiative to “Expand 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 take all actions and to execute all documents necessary for a new ground lease with MHIRJ in substantial conformance to the terms and conditions provided to the Board in the staff memorandum in support of the new lease.

PASSED AND ADOPTED by the Board of Directors of the Tucson Airport Authority, Inc., this fifth day of March, 2025.

Mike Hammond, Chair of the Board

ATTEST:

APPROVED AS TO FORM:

Vance Falbaum, Secretary

Christopher Schmaltz, Executive Vice
President and General Counsel

Date: March 5, 2025

To: Board of Directors
From: John Voorhees, Vice President/Chief Revenue Officer
Re: MHIRJ Ground Lease Terms

Background:

The current contract between TAA and Mitsubishi Heavy Industries Regional Jet (MHIRJ), which has been in effect for the past 20 years (formerly under Learjet and Bombardier), will expire December 31, 2025. The Board had previously authorized a one-year extension while negotiations between TAA and MHIRJ proceeded.

MHIRJ has agreed to terms on a new ground lease with an approximately 6-year initial term. The new agreement will expire on September 20, 2031, with two 5-year extension options. In consideration for the ground lease renewal, MHIRJ has committed to spending a minimum of \$6,900,000 in capital improvements to its leasehold. Details are provided in the attached Key Business Terms.

Strategic Plan | Analysis:

This lease will support TAA's Strategic Initiative of Expanding Prosperity for Southern Arizona by retaining businesses that currently operate at TUS. MHIRJ provides significant employment and other economic benefits to the community. Through this agreement, TAA staff would not only retain but enhance TAA's revenue by implementing a market-adjusted rent increase of 5%. The agreement also adds value to existing facilities via the additional capital improvements mentioned above.

Cost Analysis:

The ground lease will have an initial term of approximately six (6) years, starting on or before January 1, 2026, and expiring on September 20, 2031. This term aligns with the duration of MHIRJ's second ground lease with TAA. Under the agreement, MHIRJ will undertake several facility improvements, which will include upgrading the main hangar roof, replacing the HVAC system, repairing the aircraft ramp areas, and implementing other enhancements as approved by TAA. MHIRJ will make a minimum required capital investment of \$6,900,000.

The base rent will be \$.35 per square foot per year with annual rate adjustments based on Consumer Price Index (CPI). The annual revenue will be \$499,382.80. This is an increase of \$24,931.48 (or 5%) per year from the current lease agreement.

Over the life of the initial new lease term, TAA will generate approximately \$2,856,192 in rental revenue (not including CPI adjustments and option periods).

Recommendation:

TAA staff recommends the Board adopt Resolution No. 2025-05 authorizing the President/CEO or her designee(s) to execute a new ground lease with MHIRJ, subject to the attached key business terms.



Key Business Terms

- Date:** January 30, 2025 (valid for 30 days)
- Agreement Type:** Ground Lease
- Landlord:** Tucson Airport Authority, Inc. ("TAA" or "Landlord")
- Tenant:** MHI RJ Aviation Inc. ("MHIRJ" or "Tenant")
- Premises:** Parcel G-2: +/- 1,426,808 Land that includes +/- 260,240 of Hangar and Office Buildings, and parking area (See Exhibit A)
- Initial Lease Term:** Extension to September 20, 2031
- Lease Term Extensions:** Two 5-year extension options
- Rent Commencement Date:** January 1, 2026 (unless the Parties mutually agree to an earlier rent commencement date)
- Base Rent :** \$0.35/SF X 1,426,808 SF = \$499,382.80/year (\$41,615.23/month)
- Rate Adjustments:** Rent will be adjusted annually in accordance with the Consumer Price Index (CPI). It will never be adjusted downward.
- CAM Fees:** TAA reserves its right to impose Common Area Maintenance fees which are reasonable and substantiated. As may be applicable to the use of the Premises and subject to the costs incurred and reasonable and necessary measures taken by TAA, Tenant shall pay its prorata share for the maintenance, repair and reserve funds related to the Premises and/or airside common areas benefiting the Tenant for the use of the Premises
- Capital Projects:** At no cost to TAA, Tenant will make the improvements listed below at its sole cost, expense which will be subject to Landlord's advance review and written approval of the proposed improvements. Approval of these modifications is subject to the TAA Tenant Improvement Review Panel (TIRP). No improvements or modifications will be completed prior to a written notice to proceed from the TIRP. Improvements to include:
- o Tenant will improve the main hangar roof;
 - o Tenant will improve the main hangar HVAC;
 - o Tenant will improve all aircraft ramp areas;
- and/or other Capital Projects as may be approved TAA.
- Minimum Capital Improvement Requirement:** Tenant shall be required to spend a minimum of \$6,900,000 in capital improvements for TAA-approved Capital Projects during the Initial Term. TAA acknowledges and agrees that should Tenant, at its sole discretion, elect to commence with the following improvements as part of the TAA approved Capital Projects prior to the Rent Commencement Date, such improvements shall be, included in the minimum spend amount of \$6,900,000:



- Corrosion correction on the 2022 HVAC unit support. Pricing is estimated at \$20,000 USD as of October 25, 2024.
- Water softener. Pricing is estimated at \$30,000 USD. as of October 2, 2024.
- Electrical room transformers replacement. Pricing is estimated at \$160,000 USD as of October 25, 2024.
- Faulty FAA warning lights & electrical work. Pricing is estimated at \$281,000 USD as of October 25, 2024.
- Fire suppression system (pumps and engines). Pricing for the current portion of the fire suppression system improvement is estimated at \$500,000 as of October 29, 2024.
- HVAC unit replacement. Pricing for the current portion of the HVAC unit replacement is estimated at \$500,000 USD as of October 2, 2024.

The estimated pricing reflected above shall be recognized at their actual incurred costs upon completion of each Capital Project improvement and evidenced with paid invoices by the Tenant.

Taxes: The Tenant will be responsible to pay for all applicable taxes at no cost to TAA.

MX Responsibilities: At no cost to TAA, Tenant will be solely responsible for the maintenance, repair and improvements of the Premises under this agreement including structural components.

TAA will be responsible for the maintenance of general airport system outside of the Premises.

Utilities: Tenant shall pay for all utility services supplied to the Premises, including, but not limited to, electricity, gas, water, and data.

Other Conditions: See the attached Sample Land Lease Agreement (Exhibit B). The Sample Land Lease Agreement is for informational purposes only. Actual lease terms offered by TAA are subject to mutual agreement by the parties and may have material differences to such Sample Land Lease Agreement.

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

MHIRJ Approval of Terms: Agreement is subject to MHIRJ's senior management and corporate approvals.

This document 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 Gound 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, March 1, 2025.



Agreed and Accepted:

Francois Potvin

Authorized Signatory, MHI RJ AVIATION INC.

2025-02-05

Date

Steve Michael

Authorized Signatory, MHI RJ AVIATION INC.

2025-02-05

Date

Exhibit A – Premises (Parcel G-2)





Exhibit B – Sample Land Lease Agreement

Date: March 5, 2025

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

Tucson International Airport (TUS) saw strong inbound travel that exceeded our seat capacity growth in December 2024. Enplanements continue to lag due to the stop in nearly all immigrant travel at TUS. December of 2023 saw 21,302 immigrant travelers at TUS, while December of 2024 only had 1,686, highlighting robust changes to our passenger demographics and demand. However, we will continue to enjoy an average increase of almost 10% in seat capacity on a year-over-year basis through June, well above the US domestic average.

The Tucson Airport Authority (TAA) marketing efforts are directly focused on ensuring we fully utilize our additional capacity and bolster outbound travel. We launched three (3) new targeted social media ads appealing to Marana families, Tucson business travelers, and University of Arizona students to fly from TUS.

YOY Change

December 2024 TUS Passengers	365,269	4.3%
December 2024 TUS Load Factor	78.5%	-4.8 pts.

January 2025 TUS Seat Capacity	228,195	10.5%
January 2025 Domestic Seat Capacity (Total nationwide available seats)	82.9 million	1.1%

January 2025 TUS Enplaned Passengers (Adjusted TSA Throughput)	151,806	-3.4%
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YOY Change

January - June 2025 TUS Seat Capacity	1,320,238	9.3%
January - June 2025 Domestic Seat Capacity (Total nationwide available seats)	531.1 million	1.9%

FY2025 Passengers to Date	1,058,015	2.2%
FY2025 Passenger Forecast	4,061,348	4.9%

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE TUCSON AIRPORT AUTHORITY, INC.,
REPEALING THE EXISTING TERMINATION APPEAL POLICY AND ADOPTING A NEW EMPLOYEE
APPEALS PROCESS POLICY**

WHEREAS, the TAA Board of Directors adopted the existing Termination Appeal Process, Policy No. 2021-38, in 1986; and

WHEREAS, the Board of Directors desires to preserve and protect the due process rights that eligible employees currently hold under the existing policy, while also updating and modernizing the policy to reflect existing law and to streamline the process to the benefit of both the employees exercising their rights and TAA as the employer.

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

The Board of Directors repeals the existing Termination Appeal Process Policy, currently codified as TAA Policy No. 2021-38. The Board of Directors adopts the Employee Appeals Policy, attached as Exhibit A to this Resolution, and directs the President/CEO and Executive Vice President/General Counsel to have the Policy codified, numbered, and communicated to TAA employees following the standard TAA policy update process.

PASSED AND ADOPTED by the Board of Directors of the Tucson Airport Authority, Inc., this 5th day of March, 2025.

Mike Hammond
Chair of the Board

ATTEST:

APPROVED AS TO FORM:

Vance Falbaum, Secretary

Christopher Schmaltz, Executive Vice
President and General Counsel

EXHIBIT A

TAA Employee Appeal Rights

Policy No.	2025-XX
Effective Date	05/01/2025
Authorized By	Board of Directors
Supersedes Policy No.	2021-38

Objective:

This Policy replaces and supersedes Policy No. 2021-38, the Termination Appeals Process Policy, adopted by the Board of Directors in 1986. Employees who have rights under the prior TAA Policy No. 2021-38 have rights under this policy.

Policy No. 2021-38 is of no further force and effect.

Scope:

This Policy establishes the due process provided to eligible Tucson Airport Authority (TAA) employees that are granted employment-related due process protections under current TAA policy and existing law.

Definitions/Terminology:

Employee Appeals Panel – The TAA Employee Appeals Panel shall be made up of the President/CEO, the Executive Vice President/Chief Operating Officer, and the Vice President/Chief Financial Officer, or their designees. The President/CEO or her/his designee shall serve as the Chair.

In circumstances when an employee appealing an action is a peace officer, as defined under applicable Arizona law, the Panel shall be made up of two (2) designated TAA employees who are Arizona Peace Officer Standards and Training Board (AZPOST) certified peace officers and the President/CEO or her/his designee. The President/CEO or her/his designee shall serve as the Chair for the peace officer employee panel.

Appeals:

1. **Applicability**

All TAA employees shall be subject to discipline pursuant to TAA’s Discipline Policy and applicable law. No employee in their evaluation period, as is defined in existing TAA policy and as may be extended under TAA policy, as may be amended, has appeal rights under this Policy.

After an eligible employee has completed the evaluation period, he or she shall not be suspended, demoted, or discharged until the employee has been informed in writing of the reasons for and evidence warranting such action and has been given an opportunity to state his or her side of the story to the Chief People Officer, or her/his designee, who will provide her/his recommendation to the employee's supervisor and department Vice President on the decision made by the employee's supervisor and/or department Vice President (as may be specified by TAA) whether to suspend, demote, or discharge the employee.

In situations where the best interest of TAA and the public require that the employee not be permitted to work prior to receiving such written notice, the employee may be placed on a paid leave of absence during the decision-making process. If an employee does not make herself or himself reasonably available to receive notice and state her or his side of the story, any such action may be taken in TAA's sole discretion and notice of such action may be served by either mailing to the last known address of the employee or emailing to the last known email address of the employee.

This Policy grants no appeal rights to employees who are exempt from overtime compensation under the Fair Labor Standards Act, who all are employed at-will and serve at the pleasure of the President/CEO, as detailed in TAA policy. As applied to TAA's police and fire departments, Exempt Command Staff are at-will employees, with no appeal rights under this Policy.

The rights provided under this Policy do not apply to temporary, on-call, or part-time employees, who are all employed at-will and serve at the pleasure of the President/CEO, or an employee who voluntarily resigns from TAA. This includes an employee who is offered the option to resign from the TAA rather than being separated from TAA employment for cause or other lawful reason. Any eligible employee who believes they have been constructively discharged under applicable law or believes that they have been involuntarily coerced into resigning under threat of discharge, is entitled to the rights under this Policy.

The rights provided under this Policy do not apply to employees who are separated from TAA employment due to administrative reasons, including, but not limited to, reasons such as a reduction in force, economic/budgetary circumstances, or the abolition/repurposing of a position due to the financial or operational needs of TAA. These decisions shall be made under the sole operational discretion of the President/CEO, after documented consultation with the Executive Vice Presidents. Any eligible employee who believes they have been discriminatorily or unlawfully discharged due to administrative reasons may appeal such discharge under this Policy.

2. **Process**

Subject to the above, an eligible employee may appeal a disciplinary suspension without pay, disciplinary demotion, or involuntary separation from TAA employment to the Employee Appeals Panel. Any separation from TAA employment is effective as of the date in the written notice to the employee, unless otherwise provided in the written notice.

Such appeal shall be in writing (email is an acceptable form of appeal), containing the reasons of the appeal, and shall be delivered by email or otherwise, no later than seven (7) calendar days after the eligible employee has received written notice of the disciplinary action taken by TAA regarding the eligible employee to the Chief People Officer and Executive Vice President/General Counsel, or their designees (whose email addresses will be provided by TAA). An eligible employee's failure to meet the time deadline above shall result in the TAA action as final, with no further appeal rights under this Policy.

If an eligible employee appeals the TAA action, the person shall be notified in writing by the Chief People Officer of the timeliness (or untimeliness) of the appeal and the setting of a hearing before the Employee Appeals Panel. Any deadlines provided below may be reasonably extended if requested by the employee for good reason or by the Executive Vice President/General Counsel or her/his designee at her/his discretion based on operational needs, unless otherwise required by law.

For any peace officer employee appeal, all the timelines, rules, and requirements provided in Arizona Revised Statutes Section 38-1101, *et seq.* (as may be amended from time to time) shall be followed.

A hearing on any appeal by a non-peace officer employee shall be set to be held by the Employee Appeals Panel within thirty (30) calendar days of the TAA receipt of the eligible employee's timely appeal.

Not less than ten (10) calendar days prior to the date of the hearing, the appealing eligible employee shall submit documentation in support of their appeal, which may include: 1) a statement of facts that they believe support their appeal; 2) a list of witnesses or documentation that support or may support the asserted facts; and 3) any arguments they wish to make in support of their appeal; and TAA staff shall submit to the Employee Appeals Panel all documentation used in support of the decision under appeal.

The hearing shall be open to the persons involved as principal parties or witnesses, and it shall also be open to the public, unless the employee requests otherwise in writing. Both the employee and a representative of TAA staff shall appear at the hearing, either

personally and/or through their chosen attorneys, and each may present evidence and witnesses. Formal rules of evidence do not apply. Irrelevant evidence can be excluded by the Employee Appeals Panel Chair with explanation.

The Employee Appeals Panel may, without a hearing, in the event of a failure of the eligible employee to submit the required materials, dismiss the appeal and affirm the action.

A transcript or a recording of the hearing shall be made, and the final record of the hearing shall include all exhibits presented and accepted at the hearing.

3. **Decision and Action**

The Employee Appeals Panel may affirm, modify, or reverse any appealed disciplinary action by majority vote. The Employee Appeals Panel shall issue a final decision in writing on any appeal within five (5) calendar days of the conclusion of the hearing on the appeal. An extension may be taken by the Employee Appeals Panel for good reason and with written notification (by email or otherwise) to the employee. The Employee Appeals Panel decision shall be final, subject to an employee's appeal to the independent review officer.

The final explanatory written decision of the Employee Appeals Panel shall be delivered to the appealing employee by certified mail, personal service, or by sending it to the employee's last known email address.

An eligible employee may file an appeal of the Employee Appeals Panel's decision in writing (email is acceptable) to the Executive Vice President/General Counsel within five (5) calendar days after receipt (including constructive receipt) of the Employee Appeals Panel's decision, requesting that the Employee Appeals Panel's decision be modified or reversed. Upon receipt of the eligible employee's timely appeal of the Employee Appeals Panel's decision, the TAA Executive Vice President/General Counsel or her/his designee shall appoint a review officer to independently review the employee appeal from the Employee Appeals Panel decision. The review officer shall have the authority to affirm, modify, or reverse the decision of the Employee Appeals Panel based on her/his reasonable interpretation of the evidence presented at the Employee Appeals Panel hearing.

The review officer shall issue the decision on any appeal to the employee and TAA within fifteen (15) calendar days of receipt of the appeal. The review officer may extend this 15-day period for good reason with written notice to the employee and TAA, by email or otherwise.

If the review officer reverses the decision of the Employee Appeals Panel where the Panel finding states that there was just cause for a peace officer’s demotion, suspension without pay, or involuntary separation from TAA employment, the officer may exercise their rights as provided in Arizona Revised Statutes Section 38-1101 *et seq.* (as may be amended from time to time).

For any position that reports directly to the President/CEO that is eligible for rights under this Policy, the President/CEO shall not serve on the Employee Appeals Panel, and the Executive Vice President/General Counsel shall appoint the substitute for the President/CEO on the Panel.

Authorized by:

Mike Hammond
Chair of the Board

Date