

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE TUCSON AIRPORT AUTHORITY, INC., APPROVING THE TUCSON AIRPORT AUTHORITY AIR SERVICE INCENTIVE PROGRAM FOR FISCAL YEARS 2024 AND 2025.


WHEREAS air service development at TUS is a key component of the Tucson Airport Authority’s Strategic Plan as part of the Expand Prosperity Strategic Initiative. It supports TAA’s efforts to bring quality air service to southern Arizona to meet the needs of business, tourism, and local residents; and

WHEREAS In compliance with the Federal Aviation Administration’s draft guidelines on US air carrier incentive programs, TAA has updated its Air Service Incentive Program intending to attract and support new service and encourage existing carriers to expand their service at TUS.


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

The TAA Air Service Incentive Program (the “Program”), attached to this Resolution as Exhibit A and incorporated by reference herein, is approved, effective October 1, 2023 and expiring September 30, 2025. The President/CEO (or her designee[s]) is authorized and directed to implement the Program, including executing participation agreements with new or existing carriers as the President/CEO (or her designee[s]) deem necessary.

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


Keri Silvyn (Sep 8, 2023 08:38 PDT)
Keri Silvyn, Chair of the Board

ATTEST:


Phil Swaim (Sep 7, 2023 16:58 PDT)
Phil Swaim, Secretary

APPROVED AS TO FORM:



Chris Schmaltz (Sep 8, 2023 12:46 PDT)
Christopher Schmaltz, Vice President
and General Counsel

EXHIBIT A

TUCSON AIRPORT AUTHORITY

AIR SERVICE INCENTIVE PROGRAM
FOR FISCAL YEARS 2024 AND 2025



Air Service Incentive Program

Tucson Airport Authority

Fiscal Years 2024 and 2025

Tucson Airport Authority (TAA) Mission Statement

Provide a sustainable airport system and constantly pursue initiatives that promote and grow business opportunities.

TAA Vision Statement

Landing Prosperity in Southern Arizona

For Qualifying Service Commencing between October 1, 2023 and September 30, 2025

The Tucson Airport Authority (TAA) implements this Air Service Incentive Program in order to encourage new nonstop air service from Tucson International Airport (TUS). TAA has projected that such new air service will result in increased airport revenues, including airline revenues, parking, food and beverage, retail and other concession revenues that exceed the costs of the Incentive Program and result in an overall lower cost per enplaned passenger at TUS.

The program incentives are available for an airline operating scheduled passenger service on a new nonstop route to an airport not currently served nonstop from TUS, or any service by a new entrant airline.

Only one airline per destination airport can receive an incentive during the term of the program.

Charter operations, including operators under Parts 121, 135, and 380, are not eligible.

To receive marketing support, the advertising must be:

- (1) Solely for the purpose of promoting the new TUS route,
- (2) The TUS logo must be featured prominently in the advertising and promotional material,
- (3) The Tucson Airport Authority (TAA) must approve the advertising in advance,
- (4) TAA will pay for marketing based on invoices from approved non-airline 3rd parties, and
- (5) Marketing incentives for the qualifying new route must be used no later than twelve months from the start of service.

If the qualifying service is not operated for at least 12 consecutive months (year-round service) or three consecutive months (seasonal service), the airline is required to reimburse TAA for all airport fee waivers received by or credited to the airline within thirty (30) days of demand from TAA.

United States and Territories:

Airport Fees

First 12 months of service (year-round or new entrant) or 36 months (seasonal, incumbent):

- Airport fees (landing fees, additional terminal rent incurred due to new service, use fees) waived.

Marketing Support

- \$100,000 per destination for daily service
- If less than daily, the amount is prorated, based on the scheduled average weekly frequency in the first four weeks of service (e.g., twice a week service would qualify for 2/7th of \$100,000, or \$28,571)

Canada or Mexico:

Airport Fees

First 12 months of service (year-round or new entrant) or 36 months (seasonal, incumbent):

- Airport fees (landing fees, additional terminal rent incurred due to new service, use fees) waived.

Marketing Support

- \$250,000 per destination for twice weekly, 12-month service
- If service is less frequent, the amount is prorated, based on the number of departures in the first twelve months scheduled as of service commencement (e.g., once weekly operation for 16 weeks would qualify for 16/104 of \$250,000, or \$38,462)

Other International Destinations:

Airport Fees

First 12 months of service (year-round or new entrant) or 36 months (seasonal incumbent):

- Airport fees (landing fees, additional terminal rent incurred due to new service, use fees) waived.

Marketing Support

- \$500,000 per destination for once weekly, 12-month service
- If service is less frequent, the amount is prorated, based on the number of weeks of scheduled service in the first twelve months as of service commencement (e.g., once weekly service for 16 weeks would qualify for 16/52 of \$500,000, or \$153,846)

Other Program Requirements

To be eligible for the Program, the airline must submit a TAA application listing the details of the planned service and receive approval from TAA.

In the spirit of partnership, airlines determined to be eligible for one or more incentives under this Incentive Program will be required to have a Participation Agreement with TAA fully executed at least 60 days prior to service commencement in order for TAA to make any incentive-based payments for marketing expenditures related to the new route. A sample agreement is attached as Exhibit A.

The airline must be in good financial standing with TAA, as determined by TAA, to qualify for and to receive incentives.

Exhibit A
(Sample Participation Agreement)

**TUCSON AIRPORT AUTHORITY
AIR SERVICE INCENTIVE PROGRAM
PARTICIPATION AGREEMENT**

This Participation Agreement (“Agreement”) is entered into and made effective as of _____, 20____, by and between **TUCSON AIRPORT AUTHORITY, INC.**, an Arizona nonprofit corporation (“TAA”) and _____ (“Airline”).

RECITALS:

- A. TAA operates Tucson International Airport located in Tucson, Arizona (“TUS”).
- B. Airline is engaged in the business of scheduled air transportation of passengers.
- C. TAA and Airline wish to encourage and promote new air service at TUS, benefitting the greater Tucson community and fostering economic development at the airport and in the Southern Arizona region.
- D. TAA wishes to increase the number of nonstop destinations served by Airline from the Airport by providing certain incentives for such service for a limited period, all in accordance with the Air Service Incentive Program, attached hereto as Exhibit A (the “Incentive Program”).

AGREEMENT

NOW, THEREFORE, the parties hereby agree as follows:

1. Air Service Incentives. TAA and Airline agree that the new nonstop service offered by Airline between TUS and _____, scheduled to commence _____ (the “Start Date”) and scheduled to operate at least _____ times per week (the “Qualifying Flight”), is eligible for the following incentives under the Incentive Program:

1.1 Marketing Incentive. TAA will contribute marketing expenditures related to the Qualifying Flight, up to a maximum of \$_____ to promote TUS, Airline and the Qualifying Flight in TV, radio, print, outdoor, internet or other similar marketing campaigns. Airline and TAA will collaborate to coordinate and direct campaigns related to the Qualifying Flight, but all marketing materials and promotions must be approved by TAA before publication or distribution and must include reference to TUS as well as Airline in accordance with FAA policy. TAA will only pay for approved marketing services and expenses directly to third-party advertising and marketing providers, and not to Airline, upon receipt of invoices or other documentation of approved marketing services and expenses.

1.2 Landing Fee Waiver. TAA agrees to waive all landing fees otherwise payable by Airline for the Qualifying Flight for a period of _____ from the Start Date.

1.3 **Terminal Rent and Use Fee Credit.** TAA agrees to waive any incremental terminal rent and use fees generated by the Qualifying Flight for a period of _____ from the Start Date.

2. **Continued Service.** Airline acknowledges and agrees that the incentives granted to Airline are expressly conditioned upon Airline commencing scheduled service as of the Start Date and maintaining the Qualifying Flight through at least [date]. In the event Airline does not commence scheduled service on the Start Date or does not schedule the Qualifying Flight to operate through at least [date], Airline will reimburse TAA within thirty (30) days of TAA's written demand, for all waived fees and credits received. In the event Airline fails to so reimburse TAA, TAA may draw upon Airline's letter of credit (*or other security*) described below in an amount up to all of the waived fees and incentives granted to Airline. Airline must also pay all costs and expenses (including attorney's fees) incurred by TAA to collect such reimbursement amounts, whether or not legal action or proceedings are brought.

3. **Term.** This Agreement will terminate when all amounts that may be due and owing to TAA by Airline associated with any Qualifying Flight(s) have been fully paid to TAA.

4. **Compliance with Laws.** This Agreement is at all times subject to and subordinate to applicable state and federal laws and regulations, and the provisions of any existing or future agreement between TAA and the United States Government or other governmental authority relating to the operation or maintenance of the Airport. This Agreement is further intended to meet the standards for airport incentive programs for promotion of air carrier service set forth in the Federal Aviation Administration ("FAA") Statement of Policy and Procedures Concerning the Use of Airport Revenue (1999) and Air Carrier Incentive Program Guidebook (2010), as they may be amended from time to time. If at any time the FAA or other governmental authority determines that the Incentive Program or this Agreement does not comply with any applicable laws, rules, regulations or federal grant assurances or obligations, TAA may terminate this Agreement immediately upon written notice to Airline.

5. **Governing Law.** This Agreement, its application and interpretation, and all rights and obligations of the parties hereunder shall be governed by and construed in accordance with the laws of the State of Arizona. Venue in any action or other proceeding in connection with this Agreement will be in Pima County, Arizona.

IN WITNESS WHEREOF, the parties have signed this Agreement as of the date stated above.











TAA Resolution No. 2023-16 - Air Service Incentive Program for FY 2024 and FY 2025

Final Audit Report

2023-09-08

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✔ Agreement completed.

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