

NOTICE OF PUBLIC MEETING PHOENIX AVIATION ADVISORY BOARD

Pursuant to A.R.S. Section 38-431.02, notice is hereby given to the members of the **PHOENIX AVIATION ADVISORY BOARD**, and to the general public, that the **PHOENIX AVIATION ADVISORY BOARD** will hold a meeting open to the public on **Thursday, February 15, 2024 at 3:00 p.m. located at the City of Phoenix Aviation Department, PAAB Conference Room, 2485 E. Buckeye Road, Phoenix, Arizona 85034, or via WebEx teleconference.**

OPTIONS TO ACCESS THIS MEETING:

Watch the meeting virtually using the WebEx link provided below.

<https://cityofphoenix.webex.com/cityofphoenix/j.php?MTID=mbba580f60d2beffee8287acc47004777>

Call-in to listen to the meeting, dial 602-666-0783 and Enter Meeting ID 2630 514 3596# Press # again when prompted for attendee ID.

Public Comment: If you wish to provide a written comment or speak at the meeting virtually or by phone, please submit a request to pearl.meza@phoenix.gov no later than 10 a.m. on Thursday, February 15, 2024. The email should include your first and last name, email address, the item number(s) and whether you would like your comment entered into the record or if you wish to speak. Those who wish to attend in person may submit a request to speak by completing a speaker card at the registration desk at the beginning of the meeting.

Pursuant to Arizona Revised Statutes, Section 38-431.02B, notice is given that the Phoenix Aviation Advisory Board may vote to go into Executive Session, or Sessions, for discussion or consultation, for legal advice with the attorney or attorneys of the public body for any agenda items listed below, as authorized by Arizona Revised Statutes, Section 38-431.03 (A)(3) or for discussion of records and/or information that is exempted by law from public disclosure, as authorized by Arizona Revised Statutes, Section 38-431.03(A)(2). If authorized by a majority vote of the Phoenix Aviation Advisory Board, the Executive Session will be held immediately after the vote and will not be open to the public. If a decision is requested, the Phoenix Aviation Advisory Board may decide the matter in the public meeting or defer the decision to a later date. The agenda items that may be subject to an Executive Session pursuant to Arizona Revised Statutes, Sections 38-431.03 (A) (2) and 38-431.03 (A) (3) are as follows: Items 4, & 5.

One or more board members may participate via teleconference. Agenda items may be taken out of order.

The agenda for the meeting is as follows:

CALL TO ORDER

SUMMARY OF CURRENT EVENTS

1. Summary of Current Events by the Aviation Director
2. Summary of Current Events by the Airline Station Manager

MINUTES OF MEETING

3. For Approval or Correction, the Minutes of the Phoenix Aviation Advisory Board Meeting on January 18, 2024

DISCUSSION AND POSSIBLE ACTION (ITEM 4)

4. Air Service Incentive Program

This report requests that the Phoenix Aviation Advisory Board recommend to Phoenix City Council to approve a new Air Service Incentive Program for Phoenix Sky Harbor International Airport.

THIS ITEM IS FOR DISCUSSION AND POSSIBLE ACTION.

INFORMATION AND DISCUSSION (ITEM 5)

5. Quarterly Revenue, Enplanements, and Business Activity Update

This report provides the Phoenix Aviation Advisory Board with an update on the Aviation Department's recent revenue, enplanements, and business activity at Phoenix Sky Harbor International Airport.

THIS ITEM IS FOR INFORMATION AND DISCUSSION.

ADVISORY BOARD INFORMATION AND FOLLOW-UP REQUESTS

CALL TO THE PUBLIC

This is the time for the public to comment. Members of the Board may not discuss items that are not specifically identified on the agenda. Therefore, pursuant to A.R.S. Section 38-431.01(H), action taken as a result of public comment will be limited to directing staff to study the matter, responding to any criticism, or scheduling the matter for further consideration and decision at a later time.

ADJOURNMENT

For further information, please call Pearl Meza, Management Assistant II, Aviation Department at 602-273-3382. For further documentation on this meeting, please visit skyharbor.com.

Persons with a disability may request a reasonable accommodation, please contact Pearl Meza, Management Assistant II, Aviation Department at 602-273-3382. Or 7-1-1 friendly.

The next Phoenix Aviation Advisory Board meeting is scheduled to take place on Thursday, March 21, 2024.



PHOENIX AVIATION ADVISORY BOARD

SUMMARY MINUTES

January 18, 2024

Meeting held via WebEx

Board Members Present

Sandra Ferniza – Chairperson
Ruben Alonzo – Vice-Chairperson
Stephanie Cherny
Valencia Fisker
Verma Pastor
David Shilliday
Annette Musa
Ron Price

Board Members Absent

Tyler Gonzalez – Ex-Officio
Chad Makovsky – Ex-Officio
Andrew Cohn

Staff Present

Adam Peterson
Abbe Slade
Brad Hagen
Carl Cephas
Jay DeWitt
Maria Wager
Marshall Kain

Matthew Heil
Michael Hughes
Michael O'Shaughnessy
Michael Pluff
Moe Yacut
Pearl Meza
Richard Graham

Robert Hawes
Roxann Favors
Sarah Demory
Shawna Larson
Thomas Sawyer
Timothy Spahr
Valerie Churchwell

Members of the Public Present

Karen Ratliff

Scott Sikel

CALL TO ORDER

Chairperson Ferniza called the meeting to order at **3:00 p.m.**

SUMMARY OF CURRENT EVENTS

1. Summary of Current Events from the Aviation Director

Mr. Jay DeWitt welcomed the board members and then reviewed air service developments. He discussed that although Flair Airlines started Phoenix service in early 2023, they just released flight schedules for two of their three destinations. He also noted that American Airlines recently announced service to Tijuana beginning in February.

He continued by discussing the generosity of Aviation employees over the holiday season through their gifts to the Salvation Army's Christmas Angel program.

He then showcased the 2nd annual Dementia Friendly Workshop. Mr. DeWitt noted that this award-winning workshop brings together representatives from the airport, airlines, and TSA to share information and tips while answering questions from family members of those with dementia and care providers.

Mr. DeWitt also recognized January 9 as being Law Enforcement Appreciation Day. Members of the Aviation staff thanked both the Phoenix Police Department and the Customs and Border Patrol Department for their service.

He then shared information about the grand opening of the new Barrio Brewing restaurant at the Deer Valley Airport terminal.

Mr. DeWitt next highlighted the FAA's grounding of the Boeing 737-Max 9 planes and the affected airlines at Sky Harbor. He emphasized that the impacts at Sky Harbor have been minimal, and the airlines are working with affected customers to rebook flights.

Finally, Mr. DeWitt updated the board on the childcare facility construction at the 44th St. Sky Train station. He provided a timeline of prospective dates for the revenue contract solicitation process for childcare providers, including response deadlines, and an expected time for the board to vote on the results of the process.

2. Summary of Current Events by the Airline Station Manager

No presentation was given.

MINUTES OF MEETING

3. For Approval or Correction, the Minutes of the Phoenix Aviation Advisory Board Meeting on December 21, 2023

A motion was made by Mr. Alonzo seconded by Ms. Fisker that this item be approved.

No public comments.
The motion carried.

CONSENT ACTION (ITEMS 4 – 5)

4. Correction to Airport Custodial & Floor Care Services Contract Award approved at the November 16, 2023, Phoenix Aviation Advisory Board Meeting

5. New Ground Lease with Avis Budget Car Rental, LLC in East Tonto Lot at Phoenix Sky Harbor International Airport

A motion was made by Mr. Alonzo seconded by Ms. Fisker that this item be approved.

No public comments.
The motion carried.

DISCUSSION AND POSSIBLE ACTION (ITEMS 6 – 8)

6. Amend Lux Air Lease for Additional Premises

Mr. Robert Hawes presented this item. He began with a map displaying all of Goodyear Airport and where Lux Air conducts business; he then displayed another map depicting where Lux Air proposes to store additional aircraft and the unused fuel farm which Lux Air is asking to revitalize.

Mr. Hawes discussed Lux Air's request to use the fuel farm space that was once used by a former flight school. Activation of the fuel farm will require improvements including installation of appropriate equipment at Lux Air's expense.

Mr. Hawes then discussed the amended contract terms for the addition of the proposed aircraft parking ramp. These amended terms include current lease expiration, rent costs, and cumulative rent expected over the remaining life of the lease.

Mr. Hawes also discussed the additional premises of the fuel farm site to be added to the current lease, and the fuel flowage fee to be paid.

Mr. Shilliday asked if the fuel source for aircraft changes before the end of the lease term if the payment structure could be adapted to the new fuel type.

Mr. Hawes clarified that the rate would revert to a price per square foot if converted to something other than fuel.

Mr. Shilliday clarified that he wanted to ensure that if a fuel other than jet fuel were to be dispensed on the premises, that revenue would be captured in a way to benefit the airport.

Mr. Hawes responded that while it is recognized that alternative fuels are expected in the future, there currently isn't a contractual mechanism in place to account for such fuels.

Mr. Shilliday wanted to ensure as alternative fuels become incorporated more into aviation that appropriate revenue generation is incorporated into leases.

Mr. Hawes responded that metering electric use is a revenue source that is currently being considered.

Ms. Cherny commented that this item was discussed and approved by the Business and Development Subcommittee.

A motion was made by Ms. Cherny, seconded by Ms. Fisker that this item be approved.

No public comments.
The motion carried.

6. New Ground Lease with Arizona Aviation Partners at Phoenix Goodyear Airport

Mr. Robert Hawes presented this item. He began by displaying a map depicting Goodyear Airport and the location where AZ Partners is requesting to lease and develop land. He provided a description of AZ Partners' business and their proposed investment.

He then provided the proposed lease terms which include the space requested, the length of the lease, and anticipated annual and total rents collected.

Ms. Fisker commented that this item was discussed and approved at the Business and Development Subcommittee meeting. She also stated that consideration was given to the current noise complaints at Goodyear Airport.

A motion was made by Ms. Fisker seconded by Mr. Alonzo that this item be approved.

No public comments.
The motion carried.

7. Taxi Services Contract Extension

Mr. Michael O'Shaughnessy presented this item. He discussed the history and terms of the current taxi contract. He also provided an overview of the size of the taxi fleet and described how the fleet expands and contracts based on the seasonal customer demand or special events.

He then described how passenger habits have evolved with the growth of rideshare companies and how this contract was affected by weakened passenger demand during the pandemic.

Lastly, Mr. O'Shaughnessy explained that all remaining contract terms will remain the same with the proposed contract extension.

Mr. Alonzo asked if the numbers from the rideshare and taxi trip chart are exclusive to Sky Harbor or are general industry numbers.

Mr. O'Shaughnessy replied that they are specific to Sky Harbor.

Ms. Cherny commented that passing this contract is the right decision for the airport and its customers.

Mr. Shilliday asked if there are any benefits offered to taxi companies other than curbside access.

Mr. O'Shaughnessy explained that there is exclusive curbside space given to taxis, they are also promoted on the website, and then there is a hold lot they have access to.

Mr. Alonzo asked if the ADA capacity of the taxi and rideshare fleet is adequate to meet the demand.

Mr. O'Shaughnessy responded that being ADA-compliant and providing close to 5% availability has been a top priority. While there have been times the number has dropped below 5%, overall the threshold is maintained.

Ms. Fisker asked if peer-to-peer car sharing impacts taxi ridership and if that was considered as part of this proposal.

Mr. O'Shaughnessy replied that while Turo is active at the airport, and revenue is being generated for the airport, demand continues to primarily be for rideshare and taxi services.

A motion was made by Mr. Alonzo seconded by Ms. Fisker that this item be approved.

No public comments.
The motion carried.

ADVISORY BOARD INFORMATION AND FOLLOW-UP REQUESTS

Ms. Cherny requested a report on the realized revenue of rideshare at the airport, and how airport parking has been impacted by the increase of rideshare.

Ms. Ferniza requested revenue information from peer-to-peer car sharing and how it is impacting other ground transportation services.

CALL TO THE PUBLIC

ADJOURNMENT

The meeting ended at **3:37 p.m.**

PHOENIX AVIATION ADVISORY BOARD REPORT	
To:	Phoenix Aviation Advisory Board
From:	Chad R. Makovsky, A.A.E. Aviation Director
Subject:	Air Service Incentive Program

Description

This report requests that the Phoenix Aviation Advisory Board recommend the Phoenix City Council approve a new Air Service Incentive Program (ASIP) for Phoenix Sky Harbor International Airport (PHX).

THIS ITEM IS FOR DISCUSSION AND POSSIBLE ACTION.

Report Summary

Airport competition for new nonstop international air service is extremely competitive. Aircraft are a limited and moveable asset that can be placed between any two destinations in the world. Airlines choose new service routes based on several factors including passenger demand, competitive environment, and the revenue opportunity in relation to the route operational expenses. Incentives such as airport fee waivers help reduce the significant operational costs that an airline incurs when starting new international service. Marketing funds also assist in promotion of the new service route and support its success.

It is industry-wide practice for airports to partner with airlines by reducing an airline's financial risk during the critical new service route start-up period through an incentive program. When faced with a choice on where to place new service, a competitive airline incentive program can make the business case stronger for an airport.

On December 7, 2023, the Federal Aviation Administration released new regulatory guidelines for the implementation of airport air service incentive programs. The proposed new PHX ASIP has been revised to comply with the new guidelines.

Program Term

The program is proposed to be effective April 10, 2024, through April 10, 2028. The term of the incentive contracts would range from one to three years as provided by the terms established in the ASIP.

Financial Impact

The maximum international nonstop flight incentive would not exceed \$5 million per incentive contract. This amount includes airport fee waivers and marketing reimbursement funds. The amount per destination is prorated based on distance, frequency, and location.

Funds are available in the Aviation Department's fiscal year 2024-2028 operating budget to support this international air service incentive program.

Location

Phoenix Sky Harbor International Airport - 2485 E. Buckeye Road

Recommendation

Request that the Phoenix Aviation Advisory Board recommend the Phoenix City Council approve the new 2024 Air Service Incentive Program for Phoenix Sky Harbor International Airport.

PHOENIX AVIATION ADVISORY BOARD REPORT	
To:	Phoenix Aviation Advisory Board
From:	Chad R. Makovsky, A.A.E. Aviation Director
Subject:	Quarterly Revenue, Enplanements, and Business Activity Update

Description

This report provides the Phoenix Aviation Advisory Board with an update on the Aviation Department's recent revenue, enplanements, and business activity at Phoenix Sky Harbor International Airport.

THIS ITEM IS FOR INFORMATION AND DISCUSSION.

Report Summary

The City of Phoenix has owned and operated the city's airport system as a self-supporting enterprise since 1967. Through the Aviation Department, the city manages several lines of airport business, associated revenues, expenses, and maintains credit to support financing the capital investments of a large-hub commercial airport.

Although the impacts of the COVID-19 pandemic on the aviation industry were significant, Sky Harbor exhibited exceptional resiliency in demand from passengers and strong financial results as the airport recovered. Serving just under 49 million passengers in 2023, Sky Harbor experienced its busiest year on record, exceeding 2019 results by 5.6%.

As passenger enplanements have increased, so too have other revenues that are affected by that demand such as parking, concessions, and rental car sales.

The overall trends in growth for enplanements and revenues have led to strong financial performance at Sky Harbor. This strong revenue growth is partially offset by increased labor and contractual costs due to inflation and other factors.

Staff will present an overview of Sky Harbor's recent enplanement results, business activity, and an update on the Aviation Department's financial position.

Recommendation

This item is for information and discussion.