

**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 20, 2025 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/weblink/register/r3857131ba4dba6a5f50835812eff1c41>

Call in to listen to the meeting, dial 602-666-0783, and Enter Meeting ID 2864 322 8758 #. 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 20, 2025. 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) and (A)(4) for discussion of potential settlements, 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) through A(9) are as follows: Items 4, 5, & 6.

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 16, 2025**

DISCUSSION AND POSSIBLE ACTION (ITEMS 4 - 7)

4. **Termination of RT Sky Harbor, LLC Lease No. 102545**

This report requests that the Phoenix Aviation Advisory Board recommend to the Phoenix City Council to early terminate Ground Lease No. 102545 with RT Sky Harbor, LLC (RT) and to execute a negotiated buyout of the remaining unamortized capital improvements to RT, including reimbursement for the cost of demolition of the existing on-premises building structure.

THIS ITEM IS FOR DISCUSSION AND POSSIBLE ACTION.

5. **Terminal 4 Lobby Retail Award Recommendation**

This report requests that the Phoenix Aviation Advisory Board recommend to the Phoenix City Council to enter into a lease with Paradies Lagardere @ PHX 2022, LLC for the development, operation, and management of a retail concession space in the Terminal 4 Lobby at Phoenix Sky Harbor International Airport (PHX), for a contract term of ten years, with no option to extend.

THIS ITEM IS FOR DISCUSSION AND POSSIBLE ACTION.

6. **Information technology (IT) Staffing Services Award Recommendation**

This report requests that the Phoenix Aviation Advisory Board recommend to the City Council to enter into separate professional services agreements with multiple firms to provide Information Technology staffing services for the Aviation Department.

THIS ITEM IS FOR DISCUSSION AND POSSIBLE ACTION.

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 only discuss items that are 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 20, 2025.



**PHOENIX AVIATION ADVISORY BOARD
SUMMARY MINUTES
January 16, 2025**

Meeting held in person and via WebEx

Board Members Present

Ruben Alonzo – Chairperson
Dan Brownlee – Ex-Officio
Stephanie Cherny
Andrew Cohn
Sandra Ferniza
Sharon Hwang
Chad Makovsky – Ex-Officio
Annette Musa
Ron Price– Vice-Chairperson
David Shilliday

Board Members Absent

Verma Pastor

Staff Present

Abbe Slade
Adam Peterson
Alexandria Van Haren
Andrew Durkett
Annie Sleeper
Cadle Collins
Candace Huff
Carolina Potts
Chris Baranowski
Daver Malik
Gabriel Nevarez

Heather Shelbrack
Janet Lee
Jennifer Maples
John Ojeda
Kelly Garrett
Mara Kelly
Maria Wagar
Marshall Kain
Matthew Becker
Matthew Heil

Michael Hughes
Michael O'Shaughnessy
Michael Pluff
Pearl Meza
Richard Graham
Roxann Favors
Ryan Hartnett
Sarah Asta
Sarah Demory
William Robinson

Members of the Public Present

Joel Ericson

Karen Ratliff

Lillian Osborne

CALL TO ORDER

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

SUMMARY OF CURRENT EVENTS

1. Summary of Current Events from the Aviation Director

Mr. Makovsky welcomed the board and provided an update on passenger statistics. A total of 4.4 million passengers traveled through Sky Harbor in November representing a 3.1% increase over the same period in 2023. International passenger traffic increased by 5.1% over the same time period.

He highlighted operations at Phoenix Goodyear Airport which experienced a 22% decrease in takeoffs and landings in November. This reduction was primarily attributed to United Aviate Academy's temporary pause in operations during class transitions.

He shared that Air France announced they will upgrade and expand their service from three to five flights per week to Phoenix starting in May 2025, which is expected to increase capacity by 73% and add \$30 million to the local economy.

He also noted that Condor Airlines had to end their seasonal service to Phoenix due to a court ruling affecting their connection agreements with Lufthansa.

Mr. Makovsky then shared that a new security badging office was officially opened at Terminal 3 to provide enhanced support and services to Sky Harbor's workforce.

He then discussed that in December, the cities of Phoenix and Tempe reached a landmark agreement concluding years of discussions regarding airport development, ensuring compatibility between airport operations and surrounding development. This resolution was acknowledged during a joint press conference.

He noted that during December the airport also celebrated a milestone by holding a press event to welcome its 50 millionth passenger.

He highlighted a festive event at Deer Valley Airport, which featured Santa Claus arriving at the airport by helicopter to greet families and children. Appreciation was expressed to the event sponsors, including Friends of Deer Valley and Barrio Brewing.

Mr. Makovsky then highlighted that on December 28, Aviation staff participated in the Fiesta Bowl parade with a new 'Amelia the Airplane' balloon.

Looking ahead, Sky Harbor will celebrate the 90th anniversary of the city's acquisition of the airport with a year-long series of activities, commencing with the opening of the Culture Corner in Terminal 3, offering cultural showcases and monthly passenger engagement activities.

The Phoenix Coca-Cola Lounge is now operational in the Terminal 4 food court, allowing travelers to customize their drinks and offering a variety of plant-based and gluten-free meal options.

The Aviation Department's annual aviation business summit is scheduled for April 25 at Warehouse 215. This event supports the local business community by providing a forum to learn about business opportunities at Phoenix-owned airports while also facilitating networking with city officials, community leaders, and business partners.

The city recently introduced a new signature cocktail, the Phoenix, crafted by local mixologist Nicole Long, now available at Sky Harbor Airport through a partnership between Visit Phoenix and the Mayor's Office.

He then discussed recent City Council actions, including the approval of a photography services contract and the Arizona State lottery concession at Sky Harbor.

Ms. Ferniza asked if the lottery concession stand is a separate stand or machine, or if it is part of another concession.

Mr. Makovsky responded these are stand-alone units in Terminal 4. The item was a renewal of the current lease, and the renewal includes the opportunity to expand to the Rental Car Center and Terminal 3.

Mr. Makovsky continued with the introduction of a new board member, Sharon Hwang. Ms. Hwang shared her background, and interest in serving on the board.

Mr. Makovsky concluded by providing a high-level overview of a recent security incident at Phoenix Sky Harbor Airport on Christmas night. Mr. Makovsky said that the response from public safety personnel was commendable, with a swift and professional reaction that secured the situation within 45 minutes.

Finally, Mr. Makovsky provided some insights into a recent incident involving two aircraft near Sky Harbor that garnered significant media attention. The FAA is currently investigating the matter, and both aircraft were rerouted and landed safely.

2. Summary of Current Events by the Airline Station Manager

Mr. Dan Brownlee provided a brief summary on behalf of the airlines. He extended a warm welcome to Miss Hwang on her appointment to the board.

Regarding the Christmas night incident, he stated the airlines appreciated the swift response from the airport and first responders, which allowed them to ensure the safety of their team members and customers.

Mr. Brownlee then discussed the collaboration among airlines in Phoenix, facilitated by the city fostering a supportive environment.

Mr. Brownlee also shared that at Southwest Airlines, safety remains their top priority, and they recognize the importance of partnerships among airlines as well as with the city in maintaining a strong safety culture. He detailed several initiatives, including annual safety fairs, monthly audits to identify potential risks, and regular tenant meetings hosted by the airport, which strengthen their cooperation.

MINUTES OF MEETING

3. For Approval or Correction, the Minutes of the Phoenix Aviation Advisory Board Meeting on November 21, 2024

A motion was made by Ms. Ferniza seconded by Mr. Price that this item be approved.

No public comments.

The motion carried.

DISCUSSION AND POSSIBLE ACTION (ITEM 4)

4. Request to Issue Revenue Contact Solicitations for Terminal 3 North 2 Concourse Concessions

Mr. Richard Graham introduced the item, a request for three separate revenue contract solicitations for concessions at the new Terminal 3 North Concourse at Sky Harbor Airport, designed to accommodate approximately 1.5 million anticipated passengers.

Mr. Graham shared that the concession areas will be around 23,500 square feet, and will include a full-service restaurant with a bar, a cafe bar designated for small businesses, and two quick-service restaurants along with an open-air bar.

He noted there will be two retail locations: a news gift and convenience store and a boutique for specialty retail. A portion of the retail space will be allocated for

small businesses to showcase their products. There will also be a passenger lounge concessions opportunity located on the mezzanine level, covering approximately 10,000 square feet. He shared that the facility will feature a reception area on the lower level, where customers can check in before heading to the mezzanine lounge via stairs or an elevator.

He noted that the solicitation will focus on small business participation in dedicated areas such as a café and retail, with an emphasis on optimizing sales and providing high-quality food and retail options that enhance the passenger experience.

The proposed contract lengths are generally longer than previous, reflecting increased construction costs and allowing concessionaires adequate recovery time for their investments. Rent structures will be primarily percentage-based, with a range between 8% to 18% for food and beverage and retail spaces, while lounge space will utilize a minimum annual guarantee due to its unique revenue model. A business information meeting is planned to gather insights from potential proposers prior to the release of the solicitation.

Ms. Ferniza asked if Sky Harbor has any other affinity lounges in the airport and Terminal 4.

Mr. Graham stated that there are, and most of the larger private lounges are, airline lounges; however, nothing on the scale of what is being proposed.

A motion was made by Ms. Ferniza, seconded by Ms. Musa that this item be approved.

No public comments.
The motion carried.

INFORMATION AND DISCUSSION (ITEMS 5-6)

5. Childcare Program Update

Mr. Matthew Heil provided an update on the airport childcare program, funded by the American Rescue Plan Act. He noted that the city's ARPA strategic plan allocated \$5 million for childcare initiatives at Phoenix Sky Harbor Airport.

Mr. Heil then discussed challenges to childcare provision in the region, including accessibility and affordability, particularly in South Phoenix.

He then discussed the Airport Worker Childcare Scholarship Program, provided in partnership with First Things First.

He noted that currently, the program has \$2 million allocated for scholarships and \$3 million for facility construction. The scholarship program currently has 48 slots utilized, at a cost of approximately \$52,000 per month. This program is scheduled to conclude in December 2025. Enrollment will be capped in January to ensure families fully benefit from the remaining program funds.

Mr. Heil then updated the board on the childcare facility construction, which is currently undergoing a procurement process to identify an operator.

Mr. Heil then discussed a question Mr. Cohen raised during the BDSC meeting regarding the criteria for declining applicants to the program. Thirty applications were declined between July and December, primarily due to applicants leaving airport employment, which is a minimum requirement. Other reasons for declined applications and cancellations included chronic absenteeism—families must maintain at least 80% planned attendance—and instances where families exceeded income requirements. Additionally, the Department of Economic Security approved three families for scholarships, which First Things First prioritizes before considering the airport program.

Ms. Ferniza asked what constitutes attendance and if it is based on their work schedule.

Mr. Heil stated it is based on the slot they signed up for and the number of days they committed to.

Ms. Ferniza asked if attendance is similar to school attendance, where if a child is ill it would not count towards their absenteeism.

Mr. Heil stated he will get more details on the attendance from the First Things First program.

Mr. Alonzo asked what the construction timeline is for the facility.

Mr. Heil stated they are working on restarting the shell construction, and groundbreaking should occur in February. Then, they will be working with the operator to establish the interior construction as the operator understands their needs for the build-out.

No public comments.

6. Capitol Hill Update

Mr. Matthew Heil provided an overview of what the federal election could mean for the aviation industry. While President-Elect Trump has not yet been inaugurated, members of Congress are being sworn in, and agencies are preparing for this transition.

He noted that Congress is currently focused on committee assignments, funding negotiations, and agency staff nominations.

Mr. Heil provided an overview of the current complexities related to the legislative process, specifically appropriations, and that the government is operating under a continuing resolution. He noted that the Aviation Department will still be focused on industry priorities that must be included in appropriations, such as the critical \$4 billion AIP funding for infrastructure and other essential projects.

The existence of a continuing resolution until March 14 poses potential delays in Congressional spending decisions, complicating budget processes for the current and upcoming fiscal years. Concerns about staffing shortages in Customs and Border Patrol—where over 5,000 officers are deemed necessary—could impact international air service operations if not addressed.

Mr. Heil also noted the recent nomination of Sean Duffy as Transportation Secretary and discussed recent hearings on aviation safety and recent aircraft incidents.

Mr. Heil also discussed advanced air mobility as a policy topic, noting that the transition may present challenges due to staff changes, including the departure of key administrative figures.

Mr. Alonzo asked if Mr. Heil could explain the advanced air mobility issue in more detail.

Mr. Heil stated advanced air mobility encompasses innovative flight technologies beyond traditional airplanes, including drones and autonomous air taxis that are primarily electric.

Mr. Heil concluded by stating that staff will focus on engaging with Congressional offices to communicate funding priorities necessary for development.

No public comments.

ADVISORY BOARD INFORMATION AND FOLLOW-UP REQUESTS

None

CALL TO THE PUBLIC

None

ADJOURNMENT

The meeting ended at **4:02 p.m.**

PHOENIX AVIATION ADVISORY BOARD REPORT	
To:	Phoenix Aviation Advisory Board
From:	Chad R. Makovsky, A.A.E. Aviation Director
Subject:	Termination of RT Sky Harbor, LLC Lease No. 102545

Description

This report requests that the Phoenix Aviation Advisory Board recommend to the Phoenix City Council to early terminate Ground Lease No. 102545 with RT Sky Harbor, LLC (RT) and to execute a negotiated buyout of the remaining unamortized capital improvements to RT, including reimbursement for the cost of demolition of the existing on-premises building structure.

THIS ITEM IS FOR DISCUSSION AND POSSIBLE ACTION.

Report Summary

RT leases approximately fifteen acres of land at 1820 E. Sky Harbor Circle South, in Sky Harbor Center under Ground Lease No. 102545 that RT assumed from JPMorgan Chase Bank, National Association on June 1, 2023. The property was improved by the construction of an office building structure, a surface parking lot, and a 1,300-space parking garage. These facilities have been vacant since February 2024.

The current lease expires on November 30, 2032. RT and the Aviation Department negotiated an early buyout of the lease for a payment of \$10 million. In addition to the buyout, Aviation will reimburse RT in the amount of approximately \$1.1 million dollars for the demolition of the existing building structure only. The existing surface parking lot with approximately 746 spaces and parking garage with approximately 1,285 spaces on the property will remain. After the demolition of the office building, Aviation will incorporate that portion of the land into the existing surface parking lot on the property.

Aviation plans to utilize the property to address growing parking demand and offset the reduction in parking inventory caused by the Taxiway Uniform project and the relocation of the Airport Special Events parking lot.

Contract Term

The lease is scheduled to expire on November 30, 2032. RT and Aviation agreed to early terminate Ground Lease No. 102545 effective on the date of final inspection by the Aviation Department of the demolition of the existing building structure and receipt of all documentation related to the demolition. The demolition is anticipated to be completed by late summer 2025.

Financial Impact

Aviation negotiated a \$10 million buyout amount to account for unamortized improvements and reimbursement of the demolition costs of \$1.1 million. Based on straight-line depreciation, the residual lease value would be approximately \$12 million. As a benchmark, to build new parking infrastructure with a similarly sized garage and surface parking lot, the construction cost is conservatively estimated to be \$20 million. In comparison with the straight-line appreciation value and construction costs, the negotiated buyout amount of \$10 million with a demolition cost of \$1.1 million provides the best value for Aviation. RT will conduct demolition in compliance with Title 34.

Concurrence/Previous Board Action

The Business and Development Subcommittee approved this item by a 3-0 vote.

Location

Phoenix Sky Harbor International Airport, 2485 E. Buckeye Road

Recommendation

This report requests that the Phoenix Aviation Advisory Board recommend to the Phoenix City Council to early terminate Ground Lease No. 102545 with RT Sky Harbor, LLC. and for the negotiated buyout amount for the remaining lease value to RT including a reimbursement for the cost of demolition of the existing building structure.

PHOENIX AVIATION ADVISORY BOARD REPORT	
To:	Phoenix Aviation Advisory Board
From:	Chad R. Makovsky, A.A.E. Aviation Director
Subject:	Terminal 4 Lobby Retail Award Recommendation

Description

This report requests that the Phoenix Aviation Advisory Board recommend to the Phoenix City Council to enter into a lease with Paradies Lagardere @ PHX 2022, LLC for the development, operation, and management of a retail concession space in the Terminal 4 Lobby at Phoenix Sky Harbor International Airport (PHX), for a contract term of ten years, with no option to extend.

THIS ITEM IS FOR DISCUSSION AND POSSIBLE ACTION.

Report Summary

On May 1, 2024, Phoenix City Council authorized the issuance of a Revenue Contract Solicitation (RCS) for a retail concession location in the Terminal 4 Lobby area.

The goal of the RCS was to optimize sales and revenue over the term of the lease, provide quality and unique retail merchandise to passengers, emphasize local culture in the design of the facility, and select a respondent with experience operating successful retail concessions in the U.S. and/or abroad.

An evaluation panel evaluated the responses based on the following criteria established in the RCS:

- Proposed concepts and merchandise plans for the concession space
- Design and quality of tenant improvements for the concession space
- Management, marketing, operations, and technology plans
- Experience and qualifications of respondent
- Proposed business plan
- Financial return to the City

Procurement Information

Aviation issued the RCS on July 15, 2024, with responses due on September 23, 2024. Two responses were received and deemed responsive and responsible. The evaluation panel met for the initial consensus meeting on November 4, 2024, and respondent interviews were held on November 19, 2024. The panel’s award recommendation was posted to the City’s public award website on January 9, 2025.

The panel recommendation was reached by consensus in consideration of the above criteria.

Contract Term

The term will be ten years with no options to extend.

Financial Impact

The estimated annual revenue to the City will be the established Minimum Annual Guarantee (MAG) or percentage of gross sales, whichever is greater. MAG for the first year will be set at \$250,000. The MAG will be adjusted annually thereafter at 85% of the prior year's annual rent owed by the Lessee or 100% of MAG for the first lease year, whichever is greater.

Public Outreach

This solicitation process included all standard and required outreach efforts, including advertising in Aviation industry publications.

Concurrence/Previous Board Action

The Business and Development Subcommittee approved this item with a 3-0 vote.

Location

Phoenix Sky Harbor International Airport, 2485 E. Buckeye Road

Recommendation

Request that the Phoenix Aviation Advisory Board recommend to the Phoenix City Council to enter into a lease with Paradies Lagardere@ PHX 2022, LLC to develop, operate, and manage a retail concession space in the Terminal 4 Lobby at PHX, for ten years.

PHOENIX AVIATION ADVISORY BOARD REPORT	
To:	Phoenix Aviation Advisory Board
From:	Chad R. Makovsky, A.A.E. Aviation Director
Subject:	Information Technology Staffing Services Award Recommendation

Description

This report requests that the Phoenix Aviation Advisory Board recommend to the City Council to enter into separate professional services agreements with multiple firms to provide Information Technology staffing services for the Aviation Department.

THIS ITEM IS FOR DISCUSSION AND POSSIBLE ACTION.

Report Summary

The Technology Division of the Aviation Department currently utilizes 32 contracted IT staff from six different vendors to provide IT staff to support technology systems at Phoenix Sky Harbor International Airport. The contracted IT staff augment the 50 full-time City of Phoenix IT employees.

The Technology Division utilizes the special expertise of these staffing resources to support numerous critical systems at PHX, including the Access Control and Alarm Monitoring System, the badging and credentialing services for badging, the Video Surveillance System, the Parking Revenue Control System, and the common use systems for the airlines (paging, checkpoint wait times, flight information displays, common use kiosks, and automated passport control kiosks), and others.

All of these systems are critical to airport operations and passenger and employee safety, and they must be managed and supported 24/7/365. Technology staffing augmentation ensures these systems are managed and supported for the ongoing operation of the airport.

Procurement Information

Aviation issued Request for Proposals 24-0181 on April 30, 2024. There were 95 proposals, and 40 of those were deemed responsive. The proposals were evaluated and scored by an evaluation panel through consensus scoring on the following criteria:

- Qualifications and Experience of Firm (0-400 points)
- Method of Approach (0-350 points)
- Fee Schedule (0-250 points)

The award recommendation is for the following firms as the highest-scoring proposers that scored above the competitive range set by the evaluation panel. The consensus score for each Proposer above the competitive range is depicted below:

Offerors	Total Points
1) 22nd Century Technologies, Inc. **	842
2) Solu Technology Partners, LLC **	815
3) InfoPeople Corporation	781
4) Intratek Computer, Inc. **	776
5) Tryfacta, Inc.	753
6) PROLIM Global Corporation	712
7) California Creative Solutions, Inc. dba CCS Global Tech	693
8) Softworld, LLC	684
9) Acro Service Corporation **	677
10) Cogent Infotech Corporation	668

**Denotes an incumbent contractor.

Contract Term

The term will be five years with no options to extend.

Financial Impact

The Aviation Department's contract value will not exceed \$26,000,000 over the aggregate 5-year term, with an estimated annual expenditure of \$5,200,000. Funds are available in the Aviation Department operating budget.

Public Outreach

This solicitation process included all standard and required outreach efforts, including advertising in Aviation industry publications.

Location

Phoenix Sky Harbor International Airport, 2485 E. Buckeye Road

Recommendation

Request that the Phoenix Aviation Advisory Board recommend to the City Council enter into separate professional services agreements with the offerors above, to provide Information Technology Staffing Services for the Aviation Department.