AGENDA

TUCSON AIRPORT AUTHORITY | Financial Council Meeting
Wednesday, August 5, 2026 | 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 **Financial Council** will hold a meeting open to the public on **Wednesday, August 5, 2026 at 3:00 P.M.** The public may attend in person. Council members may attend in person or remotely.

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 agenda for the meeting is as follows:

1. **CALL TO ORDER | ROLL CALL**
   - Tim Overton, Chair
   - Rob Draper, Vice Chair
   - Linda Mazon Gutierrez
   - Lydia Aranda
   - Edmund Marquez
   - Phil Swaim
   - Angela Gee

2. **APPROVAL OF MINUTES**
   The Council will consider and may approve the minutes of the Financial (Finance and Risk Management) Council Meeting held on August 20, 2025.

3. **PRESENTATION/DISCUSSION**
   a. **Financial Council Roles and Responsibilities Training**
   The TAA Legal Team will present to the Financial Council training an overview of the TAA corporate governance structure under Arizona law, the TAA as a federally regulated entity, the applicability of Arizona's Open Meeting and Public Records Laws, and the Financial Council's roles and responsibilities under the TAA Bylaws.

   b. **Tucson Airport Authority Operating and Capital Budget for FY 2027**
   The Council will receive a presentation and discuss the Tucson Airport Authority's proposed operating and capital budget for the fiscal year beginning on October 1, 2026, and ending on September 30, 2027.

4. **ACTION ITEM**
   The Council will consider and may by motion make a recommendation to the Board of Directors on the following:

a. **Tucson Airport Authority Operating and Capital Budget for FY 2027:**
The Tucson Airport Authority's proposed operating and capital budget for the fiscal year beginning on October 1, 2026, and ending on September 30, 2027.

5. **ADJOURN**

TUCSON AIRPORT AUTHORITY | Finance and Risk Management (Financial) Council
Monday, August 20, 2025 | 2:30 P.M. | TAA Board Room and Microsoft Teams

THIS ADVISORY COUNCIL MEETING OF THE TUCSON AIRPORT AUTHORITY WAS HELD IN A HYBRID MANNER. COUNCIL MEMBERS ATTENDED THE MEETING IN PERSON OR VIRTUALLY VIA MICROSOFT TEAMS. MEMBERS OF THE PUBLIC WERE INVITED TO ATTEND IN PERSON.

1. **CALL TO ORDER | ROLL CALL**
Chair Overton called the meeting to order at 2:30 P.M.

Council Members Present: Chair Tim Overton, Council Member Rob Draper, Council Member Ricardo Platt, Council Member Angela Gee, and Council Member Lydia Aranda

Council Members Absent: Vice Chair Omar Mireles and Council Member Tony Penn

Staff Present: President/CEO Danette Bewley, Executive Vice President/Chief Operations Officer Bruce Goetz, Executive Vice President/General Counsel Chris Schmaltz, Vice President/Chief Financial Officer Kim Allison, IT Customer Support Technician Hector Lopez, and TAA Clerk Carolina Cordova

2. **APPROVAL OF MINUTES**
Motion by Council Member Draper, seconded by Council Member Aranda, to approve the minutes of the Finance and Risk Management Council meeting held on August 19, 2024. The motion carried by the following vote:

Ayes	**(5)**	**Overton, Draper, Platt, Gee, and Aranda**
Nays	**(0)**	

3. **PRESENTATION/DISCUSSION**
   a. **Tucson Airport Authority Operating and Capital Budget for FY 2026**
      - President/CEO Danette Bewley provided a brief update of following:
        - The proposed budget for FY 2026 is based upon the airline projections for activity in and out of TUS.
        - TAA has requested an update to our Passenger Facility Charge approval from the FAA. The PFCs collected will be utilized for the ASE Program and other identified projects in the budget.
      - Vice President/Chief Financial Officer Kim Allison presented:
        - There is a 4.5% decrease in passengers forecasted for 2026, however, for the period October-May, we are at a 1% increase in actual passengers year over year. Passengers have steadily grown with a 2% increase over the previous year.
        - The budget includes a 17-cent ($0.17) increase in the calculated landing fee. The airlines expressed no concerns with the increase.

- VP/CFO Kim Allison highlighted on the summary slide the $12.6 million in Capital Requirements which flow through the landing fee. TAA anticipates $65.4 million in grant funding to fund the ASE Program, with no new debt service in FY 2026. TUS is being cautious of how money is spent and is seeking $9.7 million in PFC funding for FY 2026.

- President/CEO Danette Bewley, EVP/General Counsel Chris Schmaltz, and VP/CFO Kim Allison responded to questions from the Council members regarding projects on the lists of FY 2026 Major Maintenance Projects and FY 2026 Capital Outlay Projects, TAA's 5-year plan anticipating upcoming projects and TAA's future fiscal needs. President/CEO Danette Bewley responded confidently that the ASE project and other project matters are being handled effectively by the TAA staff.
- Members of the Council expressed their support of the FY 2026 budget and the discussion was concluded.

4. **ACTION ITEMS**

a. **Tucson Airport Authority Operating and Capital Budget for FY 2026**
Motion by Council Member Aranda, seconded by Council Member Platt, to recommend to the Board of Directors that it approve as presented the Tucson Airport Authority's proposed operating and capital budget for the fiscal year beginning on October 1, 2025, and ending on September 30, 2026. The motion carried by the following vote:

Ayes (5) Overton, Draper, Platt, Gee, and Aranda
Nays (0)

5. **ADJOURN**
Chair Overton adjourned the meeting at 3:10 P.M.

APPROVED BY:

____
Tim Overton, Chair

Date: _____________________

PREPARED BY:

____
Carolina Cordova, TAA Clerk

Date: _____________________

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Financial Council Roles & Responsibilities Training

Chris Schmaltz
EVP/General Counsel

Kimberly Ryan
Deputy General Counsel

LC Whitfield
Associate General Counsel

August 5, 2026

Outline

- TAA – a unique legal entity
- Governance
    - Fiduciary responsibilities
- Arizona Open Meeting Law & Public Records Law
- Financial Council's Roles & Responsibilities

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Unique Legal Entity

- Non-profit corporation under Arizona Law (formed in 1948)
- Authorized to exercise governmental powers
- Treated as a 'political subdivision' under Arizona law

TUCSON AIRPORT AUTHORITY

Conflicts of Interest

- **Board adopted Conflict of Interest Policy**
  - Applicable to all Members
  - Decisions/Actions on behalf of TAA must be in the TAA's best interests
  - May not use status on a Council to influence or personally benefit from any business decision involving TAA
  - Pause **before** acting and reach out to Chris, Kim, or LC

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FAA Grant Assurances

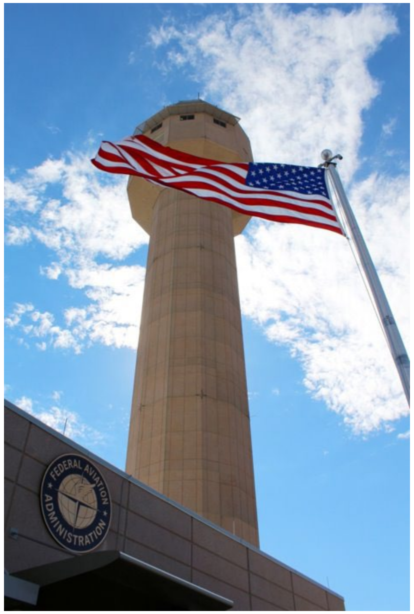
- Federal requirements we must follow when accepting federal grant money as memorialized in a grant agreement

- Covenants to keep airports in operation and open for public use

- *Airport revenue cannot be used to subsidize individual tenants or users of the airport, nor for general economic development or community benefit*

- Airport must maintain a self-sustaining rate structure

- Airport is limited on how it may use the proceeds from land transactions



TUCSON AIRPORT AUTHORITY

Airline Agreements

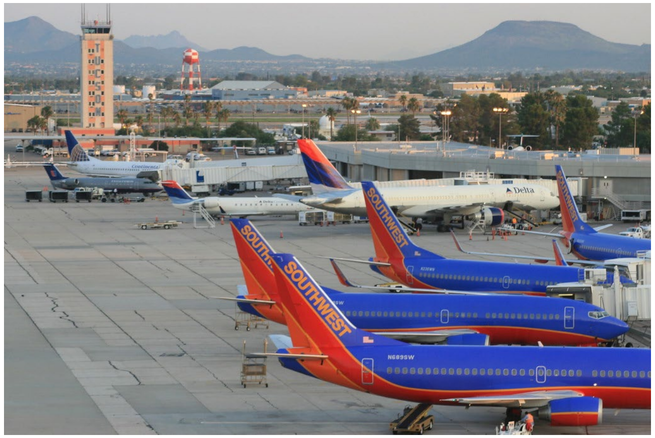
- Airlines and the passengers they bring to and from the airport provide approximately 65% of all airport revenue

- TAA must maintain and keep all airport facilities in good repair

- “Residual” Agreements – Airlines carry the ultimate risk for financially balancing the airport system

- Benefit of the Bargain – more airline financial risk comes with them having more say on the use of airport money re: large capital projects

- *Airlines are TAA’s tenants for conflict purposes*



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Governance

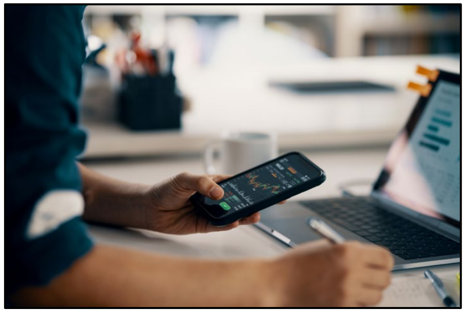
Questions?

TUCSON AIRPORT AUTHORITY

Public Entity Requirements

- TAA is subject to Arizona Open Meeting Laws
- TAA is subject to Public Records Laws
- Both laws apply to the Nominating Council, its records and communications

- **What constitutes a "Meeting" under the OML?**



- Any gathering – in person or through technological devices – of a quorum to discuss, propose or take action on TAA business
- Phone calls, emails, texts, etc. among a quorum can be a meeting under the OML
- Avoid "splintering the quorum" and serial communications, e.g., communication from one member to the next sharing information and intent to vote

Open Meetings

What does it mean for meetings to be "Open to the Public"?

- Public allowed to attend and observe
- Properly noticed (more than 24 hours) and agendized (reasonable specificity)
- Discussion limited to those items on the agenda
- Open Meeting Minutes are a Public Record

Public Meetings- Implications for Financial Council

- No discussion amongst members of the Council, except at public meeting
- No sharing of thoughts on matters before the Council, even with 1 other member of the Council – see "serial communications" issue above

What are consequences of non-compliance?

- Actions taken by the Council are invalidated
- Individual Council members may be subject to personal liability

Simple Rule: When in doubt, save the discussion for a noticed public meeting

Public Records

A public record is:

- Any tangible or reproducible record that is created or received by a TAA Member acting in their official capacity as a TAA Member or Council member
- Relates to TAA business
- Includes information on <u>personal computers or cell phones/tablets</u> (e.g., emails, text messages)

Duty to Keep Records:

- Do not delete public records
- Penalties – costs associated with failure to comply are paid by TAA

TUCSON AIRPORT AUTHORITY

Financial Council

Council members are appointed by the Chair of TAA Board

The Financial Council considers and evaluates:

- The proposed operating budget for the upcoming fiscal year, beginning October 1;
- Major budget amendments;
- Environmental and Sustainability compliance activities undertaken by TAA

The Council makes recommendations to the Board for further consideration and action.

TUCSON AIRPORT AUTHORITY

TAA Champions

TAA's Strategic Plan 3.0 encourages TAA Members to become **Champions** for the TAA and the airport system.

The Financial Council plays an important role by:

- Ensuring TAA achieves its Mission of providing a sustainable airport system
- Encouraging the adoption of sound financial and environmental/sustainability measures that help TAA achieve its strategic initiatives

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Questions?

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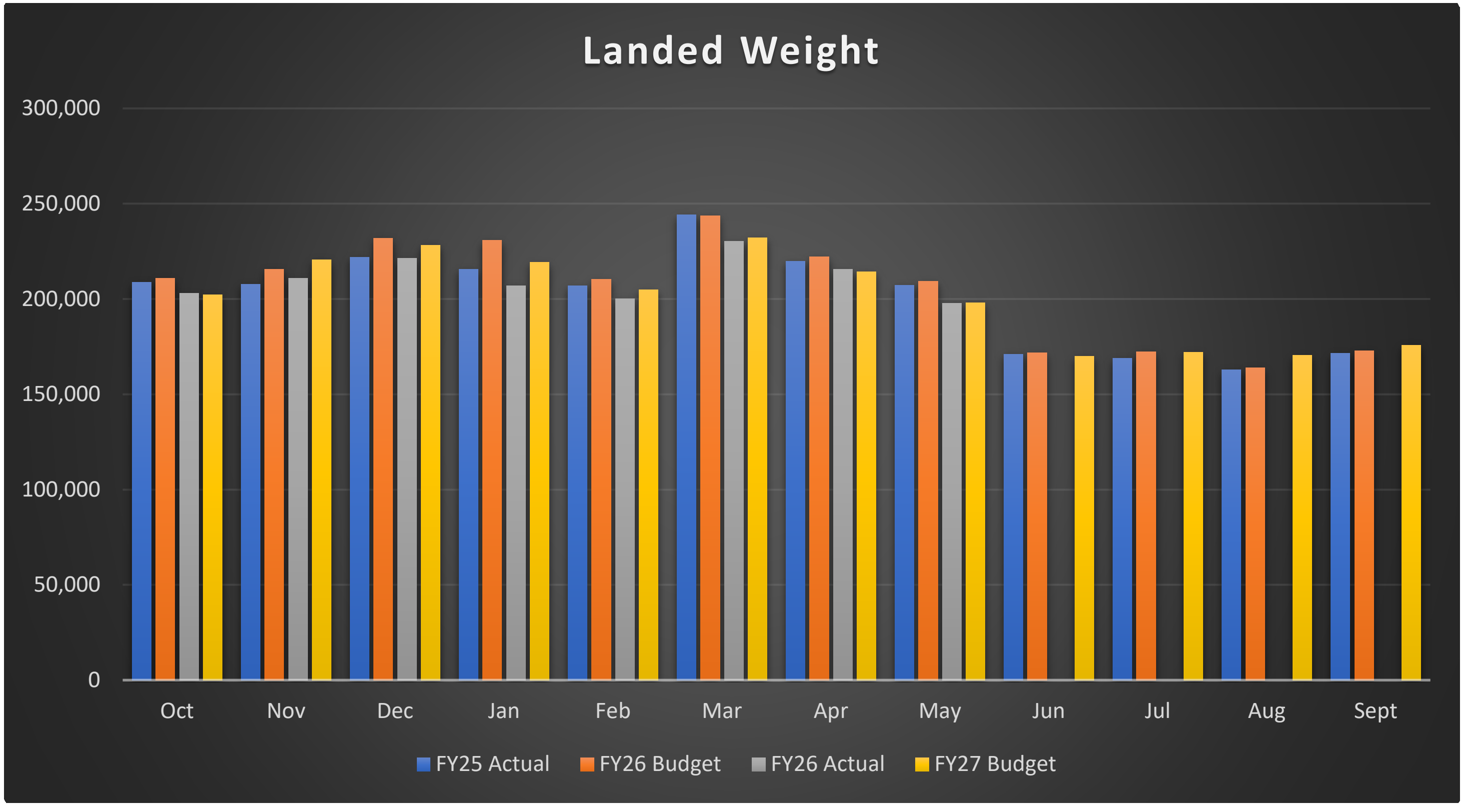
FY 2027 TAA Operating & Capital Budget

Financial Council Meeting

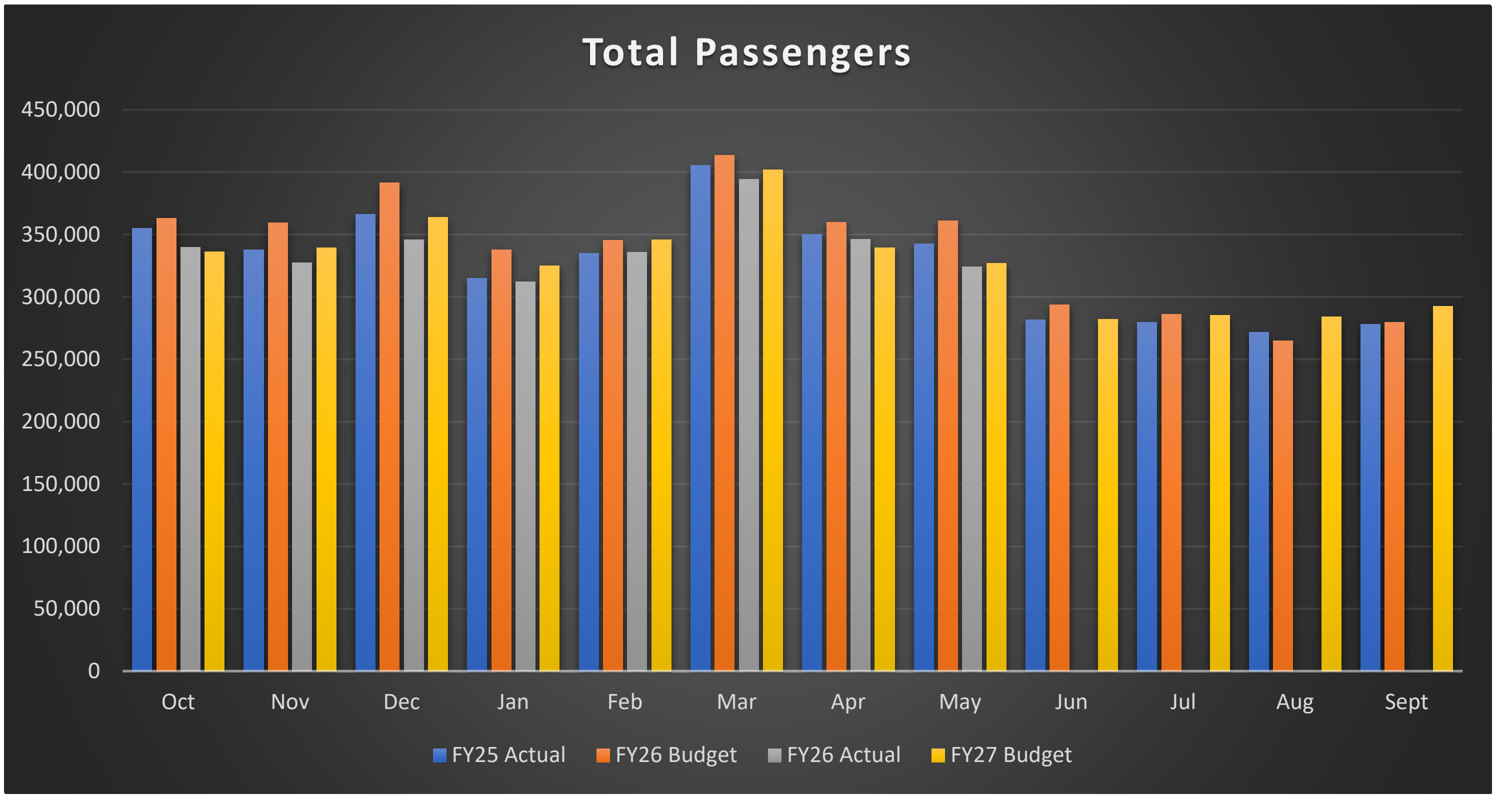
August 5, 2026

FY 2027 Landed Weight Budget



- FY27 budgeted landed weight is projected to decrease 1.9% compared to the FY26 Budget
- Year-to-date actual landed weight (October through May) is 2.7% below the prior-year period

FY 2027 Passenger Budget



- FY27 budgeted passenger activity is projected to decrease 3.3% compared to the FY26 Budget
- Year-to-date actual passenger activity (October through May) is 2.9% below the prior-year period

FY 2027 Budget By Cost Center

OPERATING REVENUES	BUDGET FY 2026	BUDGET FY 2027	FY 2027 BUDGET BY COST CENTER: TERMINAL	AIRFIELD	LANDSIDE	RYAN AIRFIELD
Fees and Rental Revenue	$ 11,594,843	$ 10,818,096	$ 367,856	$ 2,610,189	$ 7,390,372	$ 449,679
Concession Revenue	26,163,130	28,527,521	3,279,716	2,035	25,228,901	16,869
Fuel Sales (net of cost of sales)	30,204	-	-	-	-	-
Other System Revenue	4,087,878	3,351,833	1,177,886	1,192,708	944,528	36,711
Interest Income	1,692,056	2,305,000		2,305,000		
Signatory Terminal Revenues	$ 8,749,191	$ 9,536,996	$ 9,536,996			
Nonsignatory Terminal Revenues	219,737	122,420	122,420			
Signatory Landing Fee Requirement	$ 11,037,301	$ 12,858,764		$ 12,858,764		
Non-Signatory Landing Fee Requirement	369,332	215,786		215,786		
Total Operating Revenues	$ 63,943,672	$ 67,736,416	$ 14,484,874	$ 19,184,482	$ 33,563,801	$ 503,259
OPERATING EXPENSES						
Personnel expenses	$ 31,858,192	$ 33,908,386	$ 14,830,293	$ 11,694,488	$ 5,833,914	$ 1,549,691
Contractual services	11,247,874	11,888,767	4,914,136	2,215,522	4,278,965	480,145
Materials and supplies	4,816,437	4,234,905	2,061,004	1,468,270	547,518	158,113
Other operating expenses	1,937,630	2,814,886	1,089,651	867,193	683,797	174,246
Total Operating Expenses	$ 49,860,133	$ 52,846,945	$ 22,895,084	$ 16,245,473	$ 11,344,194	$ 2,362,194
Surplus/(Deficit) from Operations	$ 14,083,540	$ 14,889,471	$ (8,410,211)	$ 2,939,010	$ 22,219,608	$ (1,858,935)

FY 2027 Budget By Cost Center Cont'd

	BUDGET FY 2026	BUDGET FY 2027	FY 2027 BUDGET BY COST CENTER TERMINAL	AIRFIELD	LANDSIDE	RYAN AIRFIELD
O&M Reserve Requirement	$ 339,648	$ 746,703	$ 323,497	$ 229,541	$ 160,288	$ 33,377
S/R and I/R Debt Service, After Allocation of Indirect Expenses	3,960,196	3,725,528	1,066,251	1,100,306	1,442,836	116,135
Special Reserve Fund Deposit	2,801,197	3,512,684	2,810,147	702,537	-	-
Total Capital Improvement Program (CIP)	1,263,000	2,093,870	1,000,000	1,078,225	-	15,645
Total Capital Outlay and Major Maintenance	6,074,000	5,180,507	2,647,928	1,394,008	756,218	382,354
Less: Other Airline Fees and Charges	(354,501)	(369,821)	(369,821)	-	-	-
Airport System Balancing	$ -	$ -	$ (15,888,213)	$ (1,565,607)	$ 19,860,266	$ (2,406,446)
Allocation to Terminal	$ -	$ -	$ 15,888,213		$ (15,888,213)	$ -
Allocation to Airfield	-	-		1,565,607	(3,972,053)	2,406,446
Airport System Re-Balancing	$ -	$ -	$ -	$ -	$ -	$ -

FY 2027 Landing Fee

		BUDGET FY 2026		BUDGET FY 2027	PERCENT CHANGE
Net Airfield Requirement Calculation					
Debt Service and Coverage (1.25), Senior Bonds	$	-	$	-	
Debt Service and Coverage (1.1), Subordinate Bonds (net of PFCs)		-		-	
O&M Expenses		15,619,715		16,245,473	
O&M Reserve Requirement		106,402		229,541	
Special Reserve and Insurance Reserve Internal Loan Debt Service		1,126,923		1,100,306	
Special Reserve Fund Deposit		560,239		702,537	
Capital Improvement Fund Deposit		400,000		1,078,225	
Maintenance Reserve Fund Deposit		1,071,750		1,394,008	
Total Airfield Requirement	$	18,885,030	$	20,750,089	*9.9%*
Less: Non-airline Airfield Revenue		(4,381,206)		(3,804,933)	
Deficit/(Surplus) from Landside Area		(3,566,759)		(3,972,053)	
Deficit/(Surplus) from Ryan Airfield		2,191,829		2,406,446	
Less: Fuel Sales		(30,204)		-	
Less: Interest Income		(1,692,056)		(2,305,000)	
Subtotal	$	11,406,633	$	13,074,550	*14.6%*
Plus: CFCs Not Credited to Airlines/1		-		-	
Landing Fee Requirement	**$**	**11,406,633**	**$**	**13,074,550**	***14.6%***
Landed Weight					
Signatory Landed Weight		2,327,267		2,376,443	
Non-Signatory Landed Weight		61,886		31,797	
Total Landed Weight		2,389,154		2,408,240	*0.8%*
Average Landing Fee	$	4.77	$	5.43	
Non-Signatory Landing Fee	$	5.97	$	6.79	
Signatory Landing Fee	**$**	**4.74**	**$**	**5.41**	***14.1%***

FY 2027 Terminal Rental Rate

		BUDGET FY 2026		BUDGET FY 2027	PERCENT CHANGE
Terminal Requirement					
Debt Service and Coverage (1.25), Senior Bonds	$	-	$	-	
Debt Service and Coverage (1.1), Subordinate Bonds (net of PFCs)		-		-	
O&M Expenses		21,231,290		22,895,084	
O&M Reserve Requirement		144,628		323,497	
Special Reserve and Insurance Reserve Internal Loan Debt Service		1,093,741		1,066,251	
Special Reserve Fund Deposit		2,240,957		2,810,147	
Capital Improvement Fund Deposit		750,000		1,000,000	
Maintenance Reserve Fund Deposit		3,050,250		2,647,928	
Total Terminal Requirement	$	28,510,867	$	30,742,907	*7.8%*
Less: Non-Airline Terminal Revenue		(4,920,401)		(4,825,458)	
Deficit/(Surplus) from Landside Area		(14,267,037)		(15,888,213)	
Deficit/(Surplus) from Ryan Airfield		-		-	
Less: Interest Income		-		-	
Airline Terminal Requirement, Before Other Fee Offset	$	9,323,429	$	10,029,237	*7.6%*
Less: Other Airline Fees and Charges		(354,501)		(369,821)	
Airline Terminal Requirement	**$**	**8,968,928**	**$**	**9,659,416**	*7.7%*
Less: Per Use Charges		(342,866)		(338,622)	
Airline Terminal Rental Requirement	$	8,626,062	$	9,320,794	*8.1%*
Divided by: Airline Leased Premises		109,027		109,027	
Average Terminal Rental Rate	$	79.12	$	85.49	
Non-Signatory Markup		1.25		1.25	
Non-Signatory Terminal Rental Rate	$	98.90	$	106.86	
Signatory Terminal Requirement	$	8,453,298	$	9,217,272	
Less: Signatory Baggage Charges		(5,557,076)		(6,087,792)	
Signatory Requirement, Preferential and Exclusive Use	$	2,896,221	$	3,129,479	*8.1%*
Signatory Leased Space		36,767		36,767	
Signatory Terminal Rental Rate	$	78.77	$	85.12	*8.1%*

FY 2027 Budgeted Rates

Tucson International Airport (TUS)

General Rates & Charges

Effective October 1, 2026 - September 30, 2027

Space/Charge Type	Signatory Rates Effective 10/1/2025 (Prior Model)	Signatory Rates Effective 10/1/2025 (New Model)	Signatory Rates Effective 10/1/2026 (New Model)	Non-Signatory Rates Effective 10/1/2026 (New Model)	Fee Basis
Landing Fee *(footnote 1)*	$3.13	$4.74	$5.41	$6.79	per 1,000 lbs
Terminal Rental Rate, Exclusive or Preferential Space	Various	$78.77	$85.12	$106.86	per sq. foot, per year
Baggage Handling System (BHS) Charges *(footnote 2)*	Various	See Exhibit M	See Exhibit M	$3.50	Non-signatory rate is per turn
Common Use Ticket Counter and Queuing Area *(footnote 2)*	N/A	N/A	N/A	$98.91	per turn
Federal Inspection Facility (FIS) - International Arrivals	$1.00	$5.00	$5.00	$5.00	per deplaned passenger
Non-Terminal Gate (Remote) Aircraft Parking	$89.55	$89.55	$89.55	$111.94	per day (max 10 days, per month, per aircraft)
Common Use Gate *(footnote 2)*	$233.76	$167.14	$180.60	$225.75	per turn
Airline Waste Triturator	$6.68	$6.84	$6.84	$6.84	per key turn
GSE/Vehicle Wash Rack	$4.00	$4.10	$4.10	$4.10	per key turn

Footnotes:

1 - Qualifying non-signatory cargo airlines pay the signatory landing fee rate.

2 - Turn shall mean one arrival and one departure at the same Gate. (Section 1.78)

FY 2027 Highlights

- Personnel Cost Increase (+6%)
  - Driven by medical and benefit premiums increase of approximately 22% for FY27
- Tenant Development Credits (+$450K)
  - Leases generate significant future revenue
- Higher Capital Funding Requirements (+$3.9M)
  - In prior years, the capital requirements were offset by COVID relief funds
  - Reduced requirements by approximately $4.0 million through the reprioritization or consolidation of previously budgeted projects.
- No new debt service in FY27

FY 2027 Budget

Questions?

THANK YOU

TUCSON AIRPORT AUTHORITY
TUCSON INTERNATIONAL AIRPORT • RYAN AIRFIELD

MEMORANDUM

Date: August 5, 2026

To: Financial Council
From: Mary Fowler, Vice President / Chief Financial Officer
Re: FY27 Tucson Airport Authority Operating and Capital Budget

Background:
Each year, the Tucson Airport Authority (TAA), federally certificated operator of Tucson International Airport (TUS) and Ryan Airfield (RYN), prepares an annual operating budget for the forthcoming fiscal year, beginning October 1. Per the terms of the Airport Use Agreement (AUA), the TAA holds a consultation meeting with the Airport and Airlines Affairs Committee (AAAC), which include representatives from the Airlines, to provide them with an opportunity to review and approve the proposed budget. Now, subsequent to the AAAC meeting and their approval, the TAA is presenting this FY 2027 (FY27) operating budget to the TAA Financial Council for its recommendation to the TAA Board of Directors for approval.

After several years of discussion, the TAA and the AAAC engaged in negotiations to modernize the Airline Use Agreement, which had been amended for decades and no longer met the needs of either the TAA or the AAAC. During FY 2026 (FY26), the negotiations resulted in a revised framework which allocates expenses by cost center and establishes a separate residual rate methodology for terminal rents and landing fees based on predetermined allocations of shared costs and the direct identification of other expenses. The terminal rental rate is designed as an all-inclusive cost recovery mechanism for terminal space, eliminating the need for various, more specific charges that existed under the prior model. The FY26 budgeted rates presented in the models reflect the assumptions of the new AUA Agreement rate structure. However, actual rates realized in FY26 were governed by the existing FY26 AUA Agreement.

Included in this packet are updated summaries of the rates and charges that will become effective October 1, 2026, for FY27, if approved by the TAA Board of Directors. The information provided includes terminal rentals, general rental rates and charges and baggage claim allocations for the next fiscal year.

Please see Exhibit A for a comparative analysis of revenue and expense categories for the FY27 budget and the approved budget for FY26. Additionally, Exhibit D presents a comparative analysis of non-airline airport system revenues for the FY27 budget, versus the approved FY26 budget.

Activity FY26 Forecast vs FY26 Budget:
Overall, the FY26 results have tracked favorably to the annual budget. Year-to-date through April 2026, operating revenues were favorable to budget by 9.7%. This is despite unforeseen negative impacts in the global economy that have impacted the travel industry. Year-to-date through April 2026, operating expenses were favorable to budget by 12.9%.

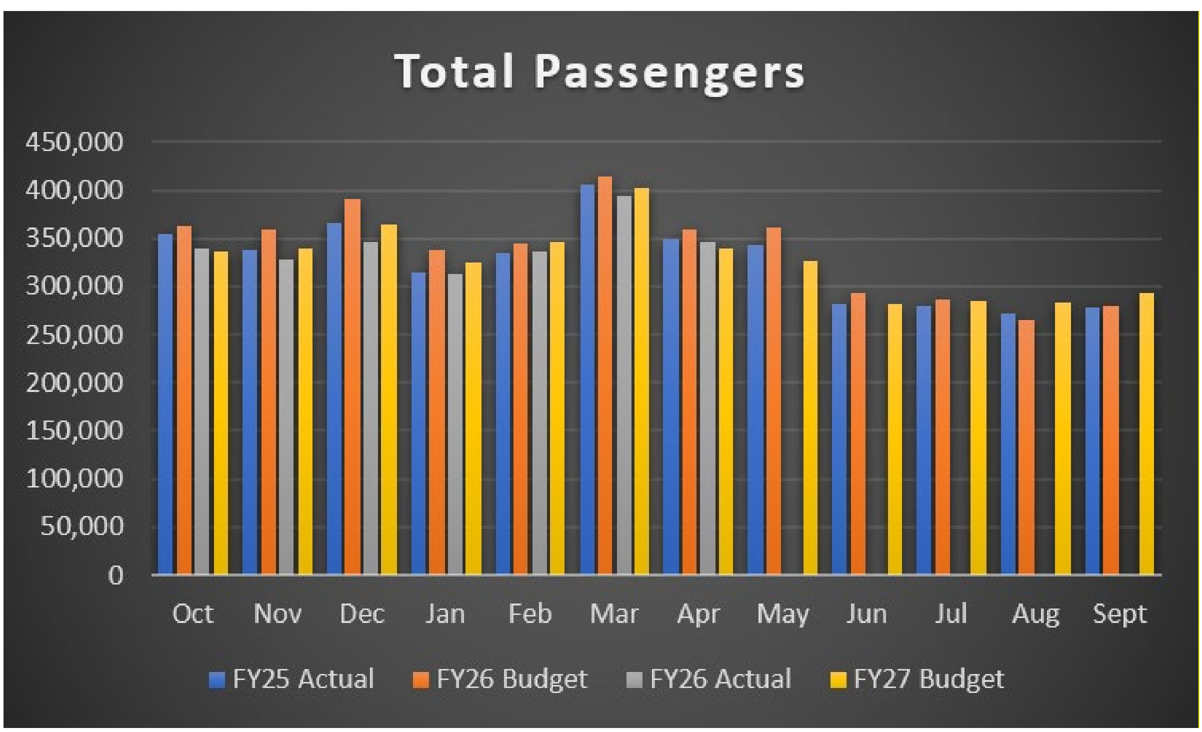
FY27 Budget Volume Assumptions:

Volume assumptions drive critical components of airport revenue planning, including Concessions and Landing Fees. Significant changes in volume have the potential to affect operating expenses as well. Overall, TAA's operating costs are largely fixed. The most significant cost drivers are personnel costs, including group benefits, required to support the airport system's administrative, operational and regulatory requirements, including FAA Part 139 requirements, and the specific operating and maintenance costs associated with responsibly managing and maintaining facilities and infrastructure, which do not significantly change year-to-year.

For FY27, budgeted landed weight volume for signatory airlines, based on the estimates the signatory airlines have provided, is expected to increase by 1.1% over the forecasted volume for FY26. Accordingly, this is expected to result in a slight increase to TAA's Operating Revenue for the year.

For FY27, passenger activity is budgeted to increase 1.4% compared to the FY26 forecast, with approximately 3.9 million total expected passengers at TUS. Load factors are expected to remain relatively high with the load factor for FY27 forecast to be approximately 80.2%.

Landed weight is highly correlated with passenger volume. With the projection of solid load factors, the budgeted landed weight for FY27 is 1.6% higher than the FY26 forecast.



Debt Service:

There will be no new airport system debt service for FY27. This is primarily due to $47.8 million in federal and state grant awards for use in the Airfield Safety Enhancement (ASE) Program during FY27, and the remaining airport COVID-related funds utilized to fund the local matching share associated with those grants. See the Appendix section for additional details on the current outstanding airport system debt service.

Fund Transfers:

All fund transfers are budgeted and executed in accordance with the terms of the Airport Use Agreement (AUA), and the applicable Bond Resolution.

- The transfer to the Capital Improvement Fund is budgeted to be $2.1 million, which represents TAA's portion of the Capital Improvement Program for FY27.
- Transfers to the Special Reserve Fund are expected to be $3.5 million, which represents 75% of the anticipated net operating income of the industrial area, as prescribed by the AUA.
- A planned transfer of $5.2 million to the Maintenance Reserve fund, which represents the capital outlay and major maintenance project budget for FY27.

Funding Strategy for ASE Program

The ASE Program is a multi-year, multi-million-dollar program to upgrade the airfield environment to current federal safety standards at TUS and continues to be the TAA's largest capital program at an overall cost of approximately $400 million. That said, TAA will continue working on future phases of the ASE in FY27 and plans to utilize approximately $47.8 million of grant funding, with final grant dollars determined by the FAA through Airport Improvement Program funding resources, to fund the ASE Program in FY27. In the event the FAA provides additional AIP or discretionary grants to the TAA, this amount will increase.

TAA elected to include the local portion of FY27 ASE Program costs in the rate base calculation. The TAA continues to meet existing cash commitments to prior budgeted ASE Program phases and other TAA capital projects. Additionally, TAA continues to aggressively seek federal and state grant funding to maximize financing for the ASE Program. TAA recommends this fiscally responsible approach, as it avoids adding debt financing to the airport system during this time of elevated interest rates, available cash capacity, and anticipated debt needs for future airport system projects. Prior-year ASE Program capital requirements were supported with TAA funds during the period it received federal economic recovery grant funding. Any available balances identified through prior year system reconciliations will be applied to the ASE Program as agreed upon by the TAA and the AAAC.

Total Other Capital Requirements:

Total capital requirements are budgeted to increase by $3.9 million compared to the FY26 budget. The primary reason for the increase is due to planning and improvement projects at

TUS, such as the TUS Master Plan project and the Terminal Signage Project. TAA is partially offsetting the current capital requirement by leveraging prior-year budgeted projects that have since been incorporated into other projects to obtain better cost and construction efficiency or have been canceled by the TAA because the needs of the airport system have changed or been re-prioritized.

These projects were budgeted in the post-COVID period when TAA elected to support airline operations at TUS by contributing TAA funds to the system while it received federal economic recovery grant funding. As stated above, the scope of these canceled projects has either been incorporated into projects with alternative funding sources (such as federal grants) or projects have been canceled due to changing organizational priorities. See also the attached exhibits detailing budgeted project information for FY27 Maintenance Reserve Fund Project (Exhibit F) and the Capital Improvement Program (CIP) (Exhibit G).

Cost Per Enplaned Passenger

As shown in Exhibit F, the budgeted Cost for Enplaned (CPE) Passenger increases from $9.74 in FY26 to $11.46 in FY27, an increase of 17.7%. While this increase is larger than the annual increases experienced in recent years, it is important to note that TAA has historically maintained airline rates below inflation-adjusted levels using alternative funding sources, including COVID relief funds and Industrial Area revenues to suppress the CPE.

A substantial portion of the FY27 increase is attributable to the implementation of the new rate-setting model, which provides greater transparency and more accurately allocates costs to the Airlines. The model also reduces the amount of TAA Industrial Area revenue that is contributed to the airport system to support the airline rate base, resulting in rates that more closely reflect the actual cost of operating and maintaining the airport system, with the new cost allocation schedule. Under the previous model, the TAA contributed 48% of the Industrial Area revenue to the airport system, keeping the remaining 52% for its use at TAA discretion. In the new model, TAA will contribute 25% of the Industrial Area revenue to the airport system and the remaining 75% is for TAA's use.

In addition, several cost drivers contributed to the increase in the FY27 budget. As shown in Exhibit A, the personnel budget increased 6% year over year, driven largely by an approximately 22% increase in benefits premiums, which was negotiated down from a potential 35% increase. While this increase is considerable, it is reflective of the market and claim trend data. TAA has benefited from a longstanding partnership with our insurance carrier and several years of continued at-market benefit cost increases.

Personnel costs remain one of the airport's largest operating expenses. Over the past seven years, TAA has increased its workforce by approximately 22% as executive leadership worked to right-size staffing levels based on a comprehensive analysis of the airport system's operational, maintenance, regulatory, customer service, and development needs and eliminate critical single points-of-failure throughout the organization. This evaluation also included benchmarking against peer Small- and Medium-Hub airports to ensure the TAA was aligned with industry standards and best practices. These investments have positioned the TAA for greater success and resiliency, as well as strengthened the airport system's ability to support continued growth while maintaining a safe and efficient operating environment at both TUS and RYN.

Operating expenses increased 5% year over year, driven largely by a $450,000 increase in tenant credits expected to be recognized in FY27. This is a system investment in the soon to be realized increase in the ongoing revenue diversification for TAA. These credits are associated with long-term lease agreements that are anticipated to generate significant ongoing revenue for the airport. Although they increase near-term expenses, they represent strategic investments that support tenant development and strengthen the airport system's long-term financial sustainability.

Customer Facility Charge Program

The TAA is proposing to the TAA Board of Directors the adoption of a revised Customer Facility Charge (CFC) Program for the rental car tenants located at TUS. It is common industry practice for airports to assess a CFC fee on car rentals to generate revenue for the maintenance and improvement of on-site rental car facilities. The TAA has an existing CFC Program which assesses a fee of $4.50 per rental car contract on vehicles leased at TUS. Per the existing program, this revenue is recognized by the airport system, as the airport system is paying interfund loans that were financed by TAA to fund the previous rental car facility expansion at TUS.

The new CFC Program proposal seeks to implement a new rate model of $2.50 per contract day on vehicles leased from TUS. Revenue from the new program will be used to fund current maintenance and improvement projects at the TUS rental car facilities. The new program is intended to incorporate the legacy program until the original interfund loans mature in July 2027. This methodology is consistent with industry best practices.

See Exhibit L for the TAA's forecasted revenue under the proposed CFC Program, as well as the proposed FY27 rental car facility projects that would be funded by the revenues from the new CFC program.

Environmental Remediation Liability

The TAA currently manages three environmental remediation programs at TUS: the Tucson Airport Remediation Project (TARP), the Soils Remediation Project (SRP), and the per- and polyfluoroalkyl substances (PFAS) remedial investigation efforts.

The TAA contributes to the remediation efforts with the Environmental Protection Agency (EPA) on TARP as it is a federally designated Super Fund site. For SRP, TAA helps fund remediation activities at TUS under a consent decree with the EPA. TAA is one of three responsible parties of SRP, the other two parties being Boeing and General Dynamics. TAA is considered 80% liable under the SRP consent decree, and Boeing and General Dynamics each share a 10% liability. Lastly, the TAA entered into a settlement agreement with the EPA to perform remedial investigation assessments of the presence of PFAS on TAA property. Upon completion of these PFAS remedial investigation efforts, the TAA will likely have ongoing monitoring and cleanup obligations. However, the extent of that responsibility is not known at this time.

TAA staff perform an annual calculation of the remaining liability for these three programs. This calculation considers current year expenses, outstanding invoices to be paid, and future cost projections. TAA pays for any expenses incurred from an internal fund referred to as the Insurance Reserve Fund. Although these funds are not legally restricted, TAA has designated these funds for the purpose of paying future environmental remediation costs. As such, TAA has historically not included environmental remediation liability expenses in the annual Operating & Capital Budget, and it is not included in the airport system landing fee calculation. It is included in this memo for informational purposes.

TAA staff presents the unaudited liability calculation for both TARP, SRP, and PFAS for FY24, which represent the most current liability balances available. As of September 30, 2024, the estimated remaining liability is $8,647,633 for TARP, $8,591,811 for SRP, and $3,306,392 for PFAS, a total estimated liability of $20,545,836. The balance of the Insurance Reserve Fund as of September 30, 2024, was $28,762,229.

TAA staff will perform annual estimated calculations of the environmental remediation liability as of September 30 as part of the financial statement audits for FY24, FY25, and FY26.

Strategic Plan/Analysis

Approval of the Annual Operating and Capital Budget is fundamental to ensuring the TAA can effectively and efficiently deliver on Strategic Plan objectives, Operating Priorities, and meet the complex compliance requirements of the airport system in any given fiscal year.

After months of thoughtful development, with a focus on the prioritization of airport projects and operating needs while maintaining a reasonable cost structure for the Airlines, the TAA finalized the FY27 Operating and Capital Budget. The TAA met with AAAC representatives on July 22, 2026, to review and discuss the FY27 Operating and Capital Budget.

Following discussions between the AAAC and TAA staff during the July 22, 2026 meeting, TAA further evaluated budget assumptions and capital planning priorities. As part of the evaluation, staff reviewed the timing and phasing of the TUS Master Plan process, which is required by the FAA to document future capital planning needs. In addition, and as you know, the TAA will need to finance the Checked Baggage Inspection Project (CBIS) through the issuance of bonds; an updated TUS

Master Plan, which will include the CBIS, is a requirement in such a funding process. Keeping this information in mind, and hearing the AAAC's budget concerns, the TAA determined that it could approach the Master Plan in a manner that will allow for dividing the scope of work on the Master Plan between FY27 and FY28. Accordingly, only $2.0 million (of the $3.0 million required) for the TUS Master Plan will be included in the FY27 budget. The AAAC had no other objections or comments to the proposed FY27 Operating and Capital Budget.

The tables below provide descriptions of the projects funded by the Maintenance Reserve Fund for FY27.

FY27 MAINTENANCE RESERVE FUND PROJECTS			
Project Number	**Project Name**	**Project Description**	**Project Cost**
10323596	Terminal Signage - Digital & Static (Phase 1)	This line item will add funds to the existing Signage Project to procure and install digital signage at the exterior curbs and the ticketing level of the airport.	$5,000,000
10114596	Access Control total Camera Replacement (Phase 2)	This project will fund the final phase of security cameras that are at the end of useful life/support.	$983,000
10327003	Replace Uninterruptable Power Supply for Operations Building	This funding is for the replacement of an Uninterruptable Power Supply for network infrastructure that is at the end of its useful life.	$246,000
10327004	Technology Lifecycle Management Program - IT Servers	This funding is for the replacement of network servers that are at the end of their useful life.	$200,000
10227001	Former Air Traffic Control Tower (TUS) | Convert exterior lettering from Neon to LED	This project is to replace the neon bulbs on the "TUCSON" letters on the exterior of the iconic former Tower, which are at the end of their useful life and require constant investment and costly maintenance. Additionally, there is only one vendor that can service these lights. Replacing these neon lights with LED will reduce energy consumption and significantly reduce maintenance costs.	$200,000
10327005	Replace Shuttle Bus (TAA 532)	This funding will replace a parking shuttle bus that is at the end of its useful life.	$185,000
10323558	Technology Lifecycle Management Program - Upgrade Edge Switches	Replacement of network switches that are at the end of their useful life.	$154,000

FY27 Maintenance Reserve Fund Projects | Continued

Project Number	Project Name	Project Description	Project Cost
10327001	Extended Reach Forklift	This funding is to purchase a new lift for the Maintenance department to use throughout the airport. It will eliminate ongoing rentals and be available for quick removal of small disabled aircraft from the runway, when required.	$150,000
20224616	RYN Landscaping	This line item will add additional funds to the RYN landscaping project to design, procure, and install a new Entry Monument Sign.	$150,000
10220456	Flooring Renovation in the Maintenance Building	The flooring tiles in this building are cracked and are warped. This will remove the tiles completely and will polish the concrete for a new flooring surface that will increase safety and reduce future maintenance and replacement costs.	$150,000
20212225	Install Closed Circuit (CCTV) Cameras at RYN on the Air Traffic Control Tower	This project will install new pan-tilt-zoom CCTV cameras on the RYN Air Traffic Control Tower. Currently, there are no cameras at RYN for the TAA to view the airfield during incidents and accidents.	$147,000
10327006	Replacement Uninterruptable Power Supply for Former TUS Tower (B-040)	This project is to replace an Uninterruptable Power Supply for network infrastructure at the former TUS Tower that is at the end of its useful life.	$135,000
10327007	TAA Police Department Mobile Data Computers	This project is to modernize the police operations by procuring and installing mobile data computers in police vehicles. This is a best practice and will improve officer safety by providing a direct link for Officers to search criminal history when conducting traffic stops.	$135,000
10327008	Replace Fire Station Uninterruptable Power Supply (B-284)	This project is to replace an Uninterruptable Power Supply for network infrastructure at the Fire Station that is at the end of its useful life.	$125,000
10326013	Annex Renovation (Phase 2 – Design)	This project is to fund the Annex Building Renovation up to 30% design for cost estimating for changes to the interior layout to maximize useful space and create efficiency. The Annex Building houses the TAA's IT, Project Management, and ASE staff.	$100,000
10327017	Emergency Operations Center (EOC) and Airside Operations Relocation (Design)	This project will provide up to a 30% design for cost estimating for the relocation of the Emergency Operations Center, which is undersized and does not meet the needs of the airport system, and the Airside Operations Department, which is also in an undersized space. The project intent is to build out a larger space for Airside Operations within the existing Building and relocate the EOC to an adjacent building to accommodate a larger area to meet current airport system needs.	$100,000

FY27 Maintenance Reserve Fund Projects | Continued

Project Number	Project Name	Project Description	Project Cost
10324612	Terminal Seating	This project will add funds to the existing project to continue to replace end of useful life seats throughout the terminal.	$100,000
10327010	TAA Police Department In Vehicle Audio/Video Recording Solution	This project is to procure and install exterior and interior cameras for police vehicles, which is a best practice for officer safety. This system will interface with the new Genetec video management system.	$100,000
10327011	Replace Police Vehicle (TAA 526)	This project is to replace a police vehicle that is at the end of its useful life.	$100,000
10327002	Warehouse Truck	This project is to purchase a new larger truck to allow the Warehouse team to move and deliver products throughout the airport system more efficiently.	$95,000
10227005	Replace Jet Bridge Canopies	Many of the existing jet bridge canopies are in poor condition. This line item is to replace them with new canopies before they cause operational disruptions.	$90,000
10227002	Flooring at the Airport Communications Center (ACC)	This project is to replace flooring tiles in the ACC that cracked and warped. This project will remove the tiles completely and will polish the concrete for a new flooring surface that will increase safety and reduce future maintenance and replacement costs.	$75,000
10327016	Replace Police Vehicle	This project will replace an existing vehicle, assigned to the Chief of Police, which is at the end of its useful life.	$70,000
10327012	Replace Airside OPS Truck (TAA 502 / OPS 1)	This project is to replace a 12-year-old vehicle that is at the end of its useful life.	$70,000
10327013	Technology Lifecycle Management Program - IT NAS Devices	This project is to replace Network Attached Storage (NAS) devices that are at the end of their useful life and support.	$65,000
10395002	Art Fund	This line item is to procure art for the terminal to enhance the passenger experience.	$50,000
10327014	Landscape Traffic Circle	A new roundabout and roadway improvement is currently under construction at the northwest corner of TUS. This project will provide funds to landscape the traffic circle and complement other landscaping around TUS.	$50,000
10327015	Technology Lifecycle Management Program - Crash Phone (TUS ATCT)	The Air Traffic Control Tower crash phone is at the end of its useful life. This project is to procure and install a new system to be compliant with Part 139 regulations.	$45,000

FY27 Maintenance Reserve Fund Projects | Continued			
Project Number	**Project Name**	**Project Description**	**Project Cost**
10324597	Terminal Carpet Replacement (Phase 2)	This project is to continue to replace carpet at the end of useful life at the TUS Terminal and Rental Car Center.	$30,000
10227003	Delta Controls at Annex Building	This project is to install a Delta Controls HVAC monitoring system at the Annex Building, which will tie into the existing Delta Controls System and allow the TAA Facilities team to better troubleshoot and monitor HVAC systems.	$30,000
10227006	Replace A/C unit on Revenue Control Building	This project is to replace air conditioners that are at the end of their useful life at the Revenue Control Building.	$25,000
Total			**$9,155,000**

The table below provides details of projects from prior years that have been canceled, and the funds are being applied to the FY27 capital requirement.

PROJECTS CANCELED FROM PRIOR YEARS			
Project Number	**Project Name**	**Project Description**	**Project Cost**
10120379	Rehabilitate G Service Road	This project was tied to a Military Construction Cooperative Agreement with the AzANG that never materialized.	$(1,332,506)
10123531	Rehabilitate TWY A from TA:01 to TA1:04	The AzANG agreed to pay for this project due to their operational needs.	$(1,119,817)
10220427	Taxiway A Patch and Repair	This scope of work is being eliminated and will be incorporated into the Taxiway Alpha Rehabilitation Project scheduled for 2029.	$(391,782)
10219141	Sealcoat Runway 11L Shoulder	This scope of work is being eliminated and will be incorporated into the ASE CMAR 2 Project scheduled for 2027/2028.	$(303,957)
10120274	Executive Ramp Improvements (Phase 1)	This project was requested by the AzANG. The scope of work has changed because the original design no longer meets current requirements. In addition, the AzANG was unable to provide a Military Construction Cooperative Agreement to help fund.	$(291,490)

Projects Canceled from Prior Years | Continued			
Project Number	**Project Name**	**Project Description**	**Project Cost**
10223533	Utilities and Road to support Engine Test Facility	The cost of this road was incorporated into the Tenants' responsibility and will be repaid through rent credits.	$(287,083)
10110096	Reconstruct AANG Perimeter Road	This project was tied to a Military Construction Cooperative Agreement that never materialized.	$(231,341)
10220364	Sealcoat General Aviation Apron (AGA 03)	This project will be incorporated into a future sealcoat project that will bring down the unit costs through an economy of scale approach.	$(12,623)
10220375	Sealcoat Airfreight Road (01)	This project will be incorporated into a future sealcoat project that will bring down the unit costs through an economy of scale approach.	$(3,894)
Total			**$(3,974,493)**

The tables below provide details of the interfund loans included in the budget assumption for FY 2027.

Special Reserve Fund Loans	**Principal Payments**	**Interest Payments**	**Total Payments**
Public Safety Personnel Retirement System	$ 1,593,189	$ 466,873	$2,060,061
Series 2018 Refunding	296,667	41,473	338,140
Jet Bridges	123,452	69,311	192,762
HIDTA Hangar	49,418	27,968	77,386
Universal Hangar	58,060	17,276	75,336
Jet Bridge B-6	24,976	48,156	73,131
Relocation of Velocity at RYN	42,499	2,061	44,560
ARDCO Hangar	25,330	13,802	39,132
Aerovation Hangar Door	14,986	54	15,040
Relocation Velocity at RYN Loan #2	12,000	621	12,621
Total	$ 2,240,576	$ 687,595	$2,928,171
Total Budgeted Special Reserve Fund Interfund Loan Payment FY27			**$2,928,171**

Insurance Reserve Fund Loans	Principal Payments	Interest Payments	Total Payments
Quick Turn-Around Facility (QTA) Expansion	$ 719,196	$ 22,437	$741,635
RAC and Garage	53,978	1,747	55,722
Total	$ 773,174	$ 24,184	$797,357
Total Budgeted Insurance Reserve Fund Interfund Loan Payment FY27			**$797,357**

Recommendation:
The Financial Council recommends that the Board of Directors approve the FY27 Operating and Capital Budget as presented.

Attachments:
Exhibit A | FY27 Budget by Cost Center
Exhibit B | Terminal Rate Calculation
Exhibit C | Landing Fee Calculation
Exhibit D | Non-Airline Revenues
Exhibit E | Cost Per Enplanement
Exhibit F | Maintenance Reserve Fund (FY27 Projects)
Exhibit G | FY27 Capital Improvement Program
Exhibit H | Majority-in-Interest Landed Weight Summary – June 2025 to May 2026
Exhibit I | Signatory Airline Majority-in-Interest Voting Ballot – FY27 Budget Items
Exhibit J | TUS General Rates and Charge (Effective October 1, 2026)
Exhibit K | Monthly Baggage Handling System (BHS) Charges – FY27
Exhibit L | Customer Facility Charge (CFC) Program Budget – FY27

	BUDGET FY 2026	BUDGET FY 2027	FY 2027 BUDGET BY COST CENTER TERMINAL	AIRFIELD	LANDSIDE	RYAN AIRFIELD
OPERATING REVENUES						
Fees and Rental Revenue	$ 11,594,843	$ 10,818,096	$ 367,856	$ 2,610,189	$ 7,390,372	$ 449,679
Concession Revenue	26,163,130	28,527,521	3,279,716	2,035	25,228,901	16,869
Fuel Sales (net of cost of sales)	30,204	-	-	-	-	-
Other System Revenue	4,087,878	3,351,833	1,177,886	1,192,708	944,528	36,711
Interest Income	1,692,056	2,305,000		2,305,000		
Signatory Terminal Revenues	$ 8,749,191	$ 9,536,996	$ 9,536,996			
Nonsignatory Terminal Revenues	219,737	122,420	122,420			
Signatory Landing Fee Requirement	$ 11,037,301	$ 12,858,764		$ 12,858,764		
Non-Signatory Landing Fee Requirement	369,332	215,786		215,786		
Total Operating Revenues	$ 63,943,672	$ 67,736,416	$ 14,484,874	$ 19,184,482	$ 33,563,801	$ 503,259
OPERATING EXPENSES						
Personnel expenses	$ 31,858,192	$ 33,908,386	$ 14,830,293	$ 11,694,488	$ 5,833,914	$ 1,549,691
Contractual services	11,247,874	11,888,767	4,914,136	2,215,522	4,278,965	480,145
Materials and supplies	4,816,437	4,234,905	2,061,004	1,468,270	547,518	158,113
Other operating expenses	1,937,630	2,814,886	1,089,651	867,193	683,797	174,246
Total Operating Expenses	$ 49,860,133	$ 52,846,945	$ 22,895,084	$ 16,245,473	$ 11,344,194	$ 2,362,194
Surplus/(Deficit) from Operations	$ 14,083,540	$ 14,889,471	$ (8,410,211)	$ 2,939,010	$ 22,219,608	$ (1,858,935)
O&M Reserve Requirement	$ 339,648	$ 746,703	$ 323,497	$ 229,541	$ 160,288	$ 33,377
S/R and I/R Debt Service, After Allocation of Indirect Expenses	3,960,196	3,725,528	1,066,251	1,100,306	1,442,836	116,135
Special Reserve Fund Deposit	2,801,197	3,512,684	2,810,147	702,537	-	-
Total Capital Improvement Program (CIP)	1,263,000	2,093,870	1,000,000	1,078,225	-	15,645
Total Capital Outlay and Major Maintenance	6,074,000	5,180,507	2,647,928	1,394,008	756,218	382,354
Less: Other Airline Fees and Charges	(354,501)	(369,821)	(369,821)	-	-	-
Airport System Balancing	$ -	$ -	$ (15,888,213)	$ (1,565,607)	$ 19,860,266	$ (2,406,446)
Allocation to Terminal	$ -	$ -	$ 15,888,213		$ (15,888,213)	$ -
Allocation to Airfield	-	-		1,565,607	(3,972,053)	2,406,446
Airport System Re-Balancing	$ -	$ -	$ -	$ -	$ -	$ -

EXHIBIT B – TERMINAL RATE CALCULATION

	BUDGET FY 2026	BUDGET FY 2027	PERCENT CHANGE
Terminal Requirement			
Debt Service and Coverage (1.25), Senior Bonds	$ -	$ -	
Debt Service and Coverage (1.1), Subordinate Bonds (net of PFCs)	-	-	
O&M Expenses	21,231,290	22,895,084	
O&M Reserve Requirement	144,628	323,497	
Special Reserve and Insurance Reserve Internal Loan Debt Service	1,093,741	1,066,251	
Special Reserve Fund Deposit	2,240,957	2,810,147	
Capital Improvement Fund Deposit	750,000	1,000,000	
Maintenance Reserve Fund Deposit	3,050,250	2,647,928	
Total Terminal Requirement	$ 28,510,867	$ 30,742,907	*7.8%*
Less: Non-Airline Terminal Revenue	(4,920,401)	(4,825,458)	
Deficit/(Surplus) from Landside Area	(14,267,037)	(15,888,213)	
Deficit/(Surplus) from Ryan Airfield	-	-	
Less: Interest Income	-	-	
Airline Terminal Requirement, Before Other Fee Offset	$ 9,323,429	$ 10,029,237	*7.6%*
Less: Other Airline Fees and Charges	(354,501)	(369,821)	
Airline Terminal Requirement	**$ 8,968,928**	**$ 9,659,416**	*7.7%*
Less: Per Use Charges	(342,866)	(338,622)	
Airline Terminal Rental Requirement	$ 8,626,062	$ 9,320,794	*8.1%*
Divided by: Airline Leased Premises	109,027	109,027	
Average Terminal Rental Rate	$ 79.12	$ 85.49	
Non-Signatory Markup	1.25	1.25	
Non-Signatory Terminal Rental Rate	$ 98.90	$ 106.86	
Signatory Terminal Requirement	$ 8,453,298	$ 9,217,272	
Less: Signatory Baggage Charges	(5,557,076)	(6,087,792)	
Signatory Requirement, Preferential and Exclusive Use	$ 2,896,221	$ 3,129,479	*8.1%*
Signatory Leased Space	36,767	36,767	
Signatory Terminal Rental Rate	$ 78.77	$ 85.12	*8.1%*
Signatory Terminal Revenues			
Signatory Airline leased preferential and exclusive space	$ 2,896,221	$ 3,129,479	
Baggage Charges	5,557,076	6,087,792	
FIS Fees	-	-	
Common Use Gates	295,893	319,724	
Total Signatory Terminal Rental Revenues	$ 8,749,191	$ 9,536,996	*9.0%*
Nonsignatory Terminal Revenues			
Airline leased preferential and exclusive space	$ 63,690	$ 68,820	
Baggage Charges	109,074	34,702	
FIS Fees	-	-	
Per Turn Gate	41,297	12,667	
Per Turn Ticket Counter	5,676	6,231	
Total Nonsignatory Terminal Rental Revenues	$ 219,737	$ 122,420	*-44.3%*
Total Airline Terminal Revenues	**$ 8,968,928**	**$ 9,659,416**	*7.7%*

EXHIBIT C – LANDING FEE CALCULATION

	BUDGET FY 2026	BUDGET FY 2027	PERCENT CHANGE
Net Airfield Requirement Calculation			
Debt Service and Coverage (1.25), Senior Bonds	$ -	$ -	
Debt Service and Coverage (1.1), Subordinate Bonds (net of PFCs)	-	-	
O&M Expenses	15,619,715	16,245,473	
O&M Reserve Requirement	106,402	229,541	
Special Reserve and Insurance Reserve Internal Loan Debt Service	1,126,923	1,100,306	
Special Reserve Fund Deposit	560,239	702,537	
Capital Improvement Fund Deposit	400,000	1,078,225	
Maintenance Reserve Fund Deposit	1,071,750	1,394,008	
Total Airfield Requirement	$ 18,885,030	$ 20,750,089	*9.9%*
Less: Non-airline Airfield Revenue	(4,381,206)	(3,804,933)	
Deficit/(Surplus) from Landside Area	(3,566,759)	(3,972,053)	
Deficit/(Surplus) from Ryan Airfield	2,191,829	2,406,446	
Less: Fuel Sales	(30,204)	-	
Less: Interest Income	(1,692,056)	(2,305,000)	
Subtotal	$ 11,406,633	$ 13,074,550	*14.6%*
Plus: CFCs Not Credited to Airlines[/1]	-	-	
Landing Fee Requirement	**$ 11,406,633**	**$ 13,074,550**	***14.6%***
Landed Weight			
Signatory Landed Weight	2,327,267	2,376,443	
Non-Signatory Landed Weight	61,886	31,797	
Total Landed Weight	2,389,154	2,408,240	*0.8%*
Average Landing Fee	$ 4.77	$ 5.43	
Non-Signatory Landing Fee	$ 5.97	$ 6.79	
Signatory Landing Fee	**$ 4.74**	**$ 5.41**	***14.1%***
Landing Fee Revenues			
Non-Signatory Landing Fee Requirement	$ 369,332	$ 215,786	
Less: Non-Signatory Landing Fee Incentives			
Signatory Landing Fee Requirement	11,037,301	12,858,764	
Less: Signatory Landing Fee Incentives	-	-	
Total Landing Fee Revenues	**$ 11,406,633**	**$ 13,074,550**	***14.6%***

/1 CFCs are included in the Landside revenue credit to the Landing Fee and Terminal Rental Rate through FY 2027 for the repayment of the RAC facility.

EXHIBIT D – NON-AIRLINE REVENUES

	BUDGET FY 2026	BUDGET FY 2027	PERCENT CHANGE
Airfield Non-Airline Revenues			
Fuel Flowage Fees (TUS)	$ 659,731	$ 615,030	
Tie Downs (TUS)	489,774	155,700	
GA/Cargo facility rent	2,148,483	1,634,378	
GA Landing fees	-	270,000	
Airport Joint Use Agreement revenues	405,334	393,528	
Land Rent (GA/Cargo)	640,871	705,811	
Diesel and Gasoline Fuel Sales (net of cost of sales)	-	-	
Cargo Apron Parking	34,882	28,450	
GA Percentage Rent	2,130	2,035	
Total Airfield Non-Airline Revenues	$ 4,381,206	$ 3,804,933	*-13.2%*
Terminal Non-Airline Revenues			
News & Gifts	$ 1,449,616	$ 1,400,000	
Food & Beverage	1,475,024	1,654,716	
Reimbursed services	812,521	579,101	
Terminal Facility Rent	470,491	367,856	
Advertising, Vending Machines, and Lockers	180,000	225,000	
Other operating revenues/1	532,749	598,784	
Total Terminal Non-Airline Revenues	$ 4,920,401	$ 4,825,458	*-1.9%*
Landside Revenues			
Parking	$ 11,866,119	$ 13,030,241	
Rental Cars	9,166,037	9,920,574	
TNCs	1,339,453	1,600,000	
Landside Facility Rent	4,145,599	3,660,372	
CFCs	1,129,230	944,528	
Land Rent (Landside)	3,804,516	3,730,000	
Ground Transportation	467,726	462,315	
Employee Parking	90,000	84,512	
Peer-to-peer Car Rental	111,517	131,259	
Total Landside Revenues	$ 32,120,196	$ 33,563,801	*4.5%*

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		BUDGET FY 2026		BUDGET FY 2027	PERCENT CHANGE
Ryan Airfield Revenues					
Ryan Land Rent	$	160,797	$	180,190	
Ryan Facility Rent		224,086		269,489	
Ryan Fuel Flowage		15,819		32,151	
Ryan Restaurant		15,509		16,869	
Ryan Landing Fees		-		-	
Tie Down (Ryan)		7,837		4,560	
Total Ryan Airfield Revenues	$	424,047	$	503,259	*18.7%*
Total Non-Airline Operating Revenues	$	41,845,850	$	42,697,451	*2.0%*
Nonoperating Revenues					
Interest Income	$	1,692,056	$	2,305,000	
Passenger facility charges					
Environmental remediation expenses					
Bad Debt Expense					
Miscellaneous Other Nonoperating Expenses					
Smart and Safe AZ Revenue				105,000	
Insurance Claims					
Total Nonoperating Revenues					
Total Nonoperating Revenues, Excluding Interest and PFCs					

/1 Includes license agreements, triturator, wash rack, late fees, royalty, and miscellaneous operating revenue.

EXHIBIT E – COST PER ENPLANEMENT

		BUDGET FY 2026		BUDGET FY 2027	PERCENT CHANGE
Signatory Passenger Airline Revenues					
Facility Rent and Gate Use Charges	$	8,749,191	$	9,536,996	
Security Fees		-		-	
Landing Fees		10,383,173		12,410,631	
Domestic Landing Fees		11,037,301		12,858,764	
Less: Cargo Landing Fees		(654,127)		(448,133)	
Landing Fees Incentives		-			
Other fees and charges		257,835		262,432	
Apron Parking		110,166		138,000	
Badging, Custodial, Fingerprinting, Utility, Ground Power Utility and Maintenance, and Other Reimbursements		58,496		60,432	
Diesel Fuel Sales and Unleaded Gasoline Sales		-		-	
Ramp Scrubber		26,557		-	
Remain Overnight Fees		-		-	
Employee Parking		41,800		40,000	
Parking		9,693		14,000	
Triturator and Wash Rack		10,873		10,000	
License Agreements		250		-	
Enplaned Passenger Incentives					
Signatory Passenger Airline Revenues	$	19,390,199	$	22,210,058	14.5%
Nonsignatory Passenger Airline Revenue					
Facility Rent and Gate Use Charges	$	219,737	$	122,420	
Security Fees		-			
Landing Fees		194,635		62,550	
Domestic Landing Fees		-			
Less: Cargo Landing Fees		-			
Domestic Landing Fees (Excludes Cargo)		194,635		62,550	
Landing Fees Incentives		-			
Other fees and charges		96,666		107,389	
Apron Parking		64,947		52,900	
Badging, Custodial, Fingerprinting, Utility, and Other Reimbursements		6,636		9,769	
Diesel Fuel Sales and Unleaded Gasoline Sales		-		-	

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	BUDGET FY 2026	BUDGET FY 2027	PERCENT CHANGE
Land Rent	-	21,470	
Ramp Scrubber	-	-	
Remain Overnight Fees	-	-	
Employee Parking	19,400	21,500	
Parking	-	-	
Triturator and Wash Rack	5,684	1,750	
Enplaned Passenger Incentives			
Nonsignatory Passenger Airline Revenue	$ 511,039	$ 292,359	-42.8%
Total Passenger Airline Revenue	$ 19,901,238	$ 22,502,418	13.1%
Total Enplaned Passengers	2,043,771	1,964,092	-3.9%
Average Airline CPE	$ 9.74	$ 11.46	17.7%

PROJECT NUMBER	INITIATIVE	AMOUNT
10323596	Terminal Signage - Digital & Static (Phase 1)	$5,000,000
10114596	Access Control total Camera Replacement (Phase 2)	983,000
10327003	Replace Uninterruptable Power Supply for Operations Building	246,000
10327004	Technology Lifecycle Management Program - IT Servers	200,000
10227001	Former Air Traffic Control Tower (TUS) | Convert exterior lettering from Neon to LED	200,000
10327005	Replace Shuttle Bus (TAA 532)	185,000
10323558	Technology Lifecycle Management Program - Upgrade Edge Switches	154,000
10327001	Extended Reach Forklift	150,000
20224616	RYN Landscaping	150,000
10220456	Flooring Renovation in the Maintenance Building	150,000
20212225	Install Closed Circuit (CCTV) Cameras at RYN on the Air Traffic Control Tower	147,000
10327006	Replacement Uninterruptable Power Supply for Former TUS Tower (B-040)	135,000
10327007	TAA Police Department Mobile Data Computers	135,000
10327008	Replace Fire Station Uninterruptable Power Supply (B-284)	125,000
10326013	Annex Renovation (Phase 2 – Design)	100,000
10327017	Emergency Operations Center (EOC) and Airside Operations Relocation (Design)	100,000
10324612	Terminal Seating	100,000
10327010	TAA Police Department In Vehicle Audio/Video Recording Solution	100,000
10327011	Replace Police Vehicle (TAA 526)	100,000
10327002	Warehouse Truck	95,000
10227005	Replace Jet Bridge Canopies	90,000
10227002	Flooring at the Airport Communications Center (ACC)	75,000
10327016	Replace Police Vehicle	70,000
10327012	Replace Airside OPS Truck (TAA 502 / OPS 1)	70,000
10327013	Technology Lifecycle Management Program - IT NAS Devices	65,000
10395002	Art Fund	50,000
10327014	Landscape Traffic Circle	50,000
10327015	Technology Lifecycle Management Program - Crash Phone (TUS ATCT)	45,000
10324597	Terminal Carpet Replacement (Phase 2)	30,000
10227003	Delta Controls at Annex Building	30,000
10227006	Replace A/C unit on Revenue Control Building	25,000
Total Maintenance Reserve Fund Projects		**$9,155,000**

(Exhibit continued on next page)

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PROJECTS CANCELED FROM PRIOR YEARS

PROJECT NUMBER	INITIATIVE	AMOUNT
10120379	Rehabilitate G Service Road	$(1,332,506)
10123531	Rehabilitate TWY A from TA:01 to TA1:04	(1,119,817)
10220427	Taxiway A Patch and Repair	(391,782)
10219141	Sealcoat Runway 11L Shoulder	(303,957)
10120274	Executive Ramp Improvements (Phase 1)	(291,490)
10223533	Utilities and Road to support Engine Test Facility	(287,083)
10110096	Reconstruct AANG Perimeter Road	(231,341)
10220364	Sealcoat General Aviation Apron (AGA 03)	(12,623)
10220375	Sealcoat Airfreight Road (01)	(3,894)
Total Canceled Projects from Prior Years		**$(3,974,493)**

Net Maintenance Reserve Fund Projects	**$5,180,507**

EXHIBIT G – CAPITAL IMPROVEMENT PROGRAM

TUS AIP Projects:		Total	Federal	State	PFC	TAA
10119102 (817)	ASE Program - CMAR2 (Construction) Year 1	$ 50,000,000	$ 45,530,000	$ 2,235,000	$ 2,235,000	$ -
TBD	Vehicle Movement Area Transmitters (VMATs)	250,000	227,650	11,175	-	11,175
10124625	Fluorine-Free Foam (F3) Transition	584,100	450,000	67,050	-	67,050
	TUS AIP Total:	**$ 50,834,100**	**$ 46,207,650**	**$ 2,313,225**	**$ 2,235,000**	**$ 78,225**

TUS OTA Projects*:		Total	OTA	State	PFC	TAA
	TUS ADOT Total:	**$ -**	**$ -**		**$ -**	**$ -**

RYN AIP Grant Projects:		Total	Federal	State	PFC	TAA
TBD	Reconstruction: Airfield Electrical Upgrades: Design	$ 350,000	$ 300,000	$ 34,355	$ -	$ 15,645
	RYN AIP Total:	**$ 350,000**	**$ 300,000**	**$ 34,355**		**$ 15,645**
	Grant Total:	**$ 51,184,100**	**$ 46,507,650**	**$ 2,347,580**	**$ 2,235,000**	**$ 93,870**

TAA Funded Projects:		Total	Federal	State	PFC	TAA
TBD	Master Plan	$ 2,000,000	$ -	$ -	$ -	$ 2,000,000
	TAA Total:	**$ 2,000,000**	**$ -**	**$ -**		**$ 2,000,000**
	TOTAL TAA FUNDS NEEDED:					**$ 2,093,870**

Note:
* Other Transaction Agreements (OTAs) are federal funding arrangements distinct from grants or contracts. In this case, they are issued to fund the federal goverments interest in the identified project.

MAJORITY-IN-INTEREST

LANDED WEIGHTS SUMMARY

Jun 2025 - May 2026

(Based on 12-Month Period)

AIRLINE	Landed Weight	% of Total	Ranking
American	**717,017,464**	**32.51%**	**1**
Southwest	**639,136,000**	**28.98%**	**2**
United	**364,419,836**	**16.52%**	**3**
Delta	**342,991,289**	**15.55%**	**4**
Alaska	**142,063,962**	**6.44%**	**5**
TOTAL	**2,311,568,936**	**100.00%**	

"Majority-In-Interest" is defined in the "Airport Use Agreement" as follows:

"Majority-in-Interest (MII) shall mean a numerical majority of Signatory Airlines, which total numerical majority shall have landed more than fifty percent (50%) of the Total Landed Weight at TUS in the latest twelve (12) months for which such data are available and which months were not affected by schedule reductions resulting from labor disputes."

Signatory Airline Majority-In-Interest (MII)
Voting Ballot
FY27 Budget Items

Project Name	**Amount**	**Yes**	**No**
1. TUS Master Plan Update	$2,000,000		
2. Terminal Signage – Digital & Static (Phase 1) *(Net of canceled projects from prior years)*	$1,025,507		

Airline: ________________________________

Printed Name: ________________________________

Title: ________________________________

Signature: ________________________________

Date: ________________________________

Tucson International Airport (TUS)

General Rates & Charges

Effective October 1, 2026 - September 30, 2027

Space/Charge Type	Signatory Rates Effective 10/1/2025 (Prior Model)	Signatory Rates Effective 10/1/2025 (New Model)	Signatory Rates Effective 10/1/2026 (New Model)	Non-Signatory Rates Effective 10/1/2026 (New Model)	Fee Basis
Landing Fee *(footnote 1)*	$3.13	$4.74	$5.41	$6.79	per 1,000 lbs
Terminal Rental Rate, Exclusive or Preferential Space	Various	$78.77	$85.12	$106.86	per sq. foot, per year
Baggage Handling System (BHS) Charges *(footnote 2)*	Various	See Exhibit M	See Exhibit M	$3.50	Non-signatory rate is per turn
Common Use Ticket Counter and Queuing Area *(footnote 2)*	N/A	N/A	N/A	$98.91	per turn
Federal Inspection Facility (FIS) - International Arrivals	$1.00	$5.00	$5.00	$5.00	per deplaned passenger
Non-Terminal Gate (Remote) Aircraft Parking	$89.55	$89.55	$89.55	$111.94	per day (max 10 days, per month, per aircraft)
Common Use Gate *(footnote 2)*	$233.76	$167.14	$180.60	$225.75	per turn
Airline Waste Triturator	$6.68	$6.84	$6.84	$6.84	per key turn
GSE/Vehicle Wash Rack	$4.00	$4.10	$4.10	$4.10	per key turn

Footnotes:

1 - Qualifying non-signatory cargo airlines pay the signatory landing fee rate.

2 - Turn shall mean one arrival and one departure at the same Gate. (Section 1.78)

TUCSON AIRPORT AUTHORITY

MONTHLY BAGGAGE HANDLING SYSTEM (BHS) CHARGES - FY27

AIRLINE	BASED ON FY 2027 BUDGETED ENPLANEMENTS	Percent of Total	90% of Total	10% of Total	Signatory Total	Monthly Charge
ALASKA *	138,050	7.0%	$ 385,580	$ 122,450	$ 508,030	$ 42,336
AMERICAN *	657,046	33.5%	1,835,163	122,450	1,957,613	163,134
DELTA *	313,364	16.0%	875,241	122,450	997,691	83,141
SOUTHWEST	546,273	27.9%	1,525,769	122,450	1,648,219	137,352
UNITED *	305,683	15.6%	853,789	122,450	976,239	81,353
TOTAL	1,960,417	100%	$ 5,475,543	$ 612,249	$ 6,087,792	$ 507,316

Signatory Fee per Enplaned Passenger for 90% Share $ **2.79**

10% of Joint Use Requirement $ **612,249**

TOTAL JOINT USE AREA IS BASED ON 71,616 SQ FT MULTIPLIED BY $85.49 PER SQ FT PER YEAR AT SIGNATORY RATES. ANNUAL JOINT USE REQUIREMENT EQUALS $6,122,494; MONTHLY CHARGE EQUALS $507,316 PRORATED AS FOLLOWS: 10% DIVIDED EQUALLY AMONG USERS AND 90% APPORTIONED AMONG USERS SO THAT EACH PAYS THE PRORATED PERCENTAGE OF ITS ENPLANEMENTS BASED UPON THE FORECASTED ENPLANEMENT ASSUMPTION AT TUS FOR FY27.

NON-SIGNATORY USE OF THE BAG CLAIM WILL BE ASSESSED AT A RATE OF $3.50 PER ENPLANED PASSENGER, CALCULATED BY DIVIDING THE 90% SHARE OF THE ANNUAL JOINT USE REQUIREMENT OF $5,510,245 BY THE NUMBER OF BUDGETED TOTAL ENPLANED PASSENGERS 1,970,344 TO ARRIVE AT AN AVERAGE BHS FEE OF $2.80. THE NON-SIGNATORY PERMIUM OF 25% IS APPLED TO THIS RATE TO ARRIVE AT $3.50.

TUCSON AIRPORT AUTHORITY

CUSTOMER FACILITY CHARGE (CFC) PROGRAM BUDGET - FY27

REVENUES

CFC Program revenue is budgeted based on forecasted FY27 enplaned passengers (EPAX) of 1,964,092 and a rate per contract day of $2.50.

Tenant *(Average Contract Days per Enplaned Passenger)*		
AVIS *(5.27 days)*	$	517,086
BUDGET *(6.31 days)*		465,107
DOLLAR *(6.72 days)*		330,135
ENTERPRISE *(6.22 days)*		916,350
HERTZ *(4.95 days)*		486,099
NATIONAL *(4.40 days)*		431,913
SIXT *(5.81 days)*		285,156
Gross Budgeted CFC Revenue - FY27	$	3,431,846
less: Budgeted Legacy CFC Revenue - FY27		944,528

Per the existing TAA CFC program, the legacy CFC revenue will be recognized as airport system revenue in FY27 to pay the remaining balance on the interfund loans that financed the previous rental car facility expansion. These interfund loans will mature July 2027.

Net Budgeted CFC Revenue - FY27	$	2,487,318

EXPENSES

Rent-A-Car Underground Fuel Storage Tank Repair	$	465,000
Rent-A-Car Quick-Turnaround Restrooms		365,000
Consolidated Rent-A-Car Facility Consultant		105,000
Total Expenses - FY27	$	935,000
CFC Program Reserve Amount - FY27	**$**	**1,552,318**