TUCSON AIRPORT AUTHORITY
TUCSON INTERNATIONAL AIRPORT • RYAN AIRFIELD

AGENDA

TUCSON AIRPORT AUTHORITY | Board of Directors Regular Meeting
Wednesday, September 2, 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 **Board of Directors** will hold a meeting, open to the public, on **Wednesday, September 2, 2026 beginning at 3:00 P.M.**

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

The agenda for the meeting is as follows:

1. CALL TO ORDER | ROLL CALL
- Michael Hammond, Chair
- Phil Swaim, Vice Chair
- Vance Falbaum, Secretary
- Rhonda Piña, Treasurer
- Judy Rich, Director
- Todd Jackson, Director
- Fran Katz, Director
- Ellen Wheeler, Director
- Calline Sanchez, Director
- Tim Overton, Director
- Carol Stewart, Director

2. SWEARING IN CEREMONY
   a. Chief Tom Bailey

3. CONSENT AGENDA

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

   a. **Approval of Minutes**
   Approve the minutes of the Board of Directors Regular Meeting held on August 5, 2026.

   b. **Tucson Airport Authority Public Safety Personnel Retirement System Funding Policy for Fiscal Year 2027 (FY27)**
   Approve Resolution No. 2026-13, adopting the Tucson Airport Authority's Public Safety Personnel Retirement System Funding Policy for the fiscal year beginning on October 1, 2026, and ending on September 30, 2027.

   c. **Customer Facility Charge Program**
   Approve Resolution No. 2026-14, adopting a new Tucson Airport Authority Customer Facility Charge (CFC) Program for the Tucson International Airport.

d. **Extension of BeachFleischman Audit Services for Fiscal Year 2024 (FY24) and Fiscal Year 2025 (FY25) Audits**
   Approve Resolution No. 2026-15, authorizing the extension of the professional services agreement between the Tucson Airport Authority and BeachFleischman for the completion of the FY24 and FY25 audits.

4. **BOARD CHAIR REPORT**
   a. TAA Advocacy

5. **PRESIDENT/CEO REPORT**
   a. Industry and TAA Airport System
   b. Strategic Plan | Update

6. **PRESENTATION/DISCUSSION**
   TAA staff will present to the Board for consideration and discussion an Airport Finance overview and the FY27 Operating and Capital Budget package.

7. **ACTION ITEMS**
   a. **FY27 Operating and Capital Budget**
      The Board will consider and may adopt Resolution No. 2026-16, approving the Tucson Airport Authority Operating and Capital Budget for FY27, which includes the Major Maintenance Program, Capital Outlay Program, Capital Improvement Program, CFC Program, and authorizing environmental program expenditures for the fiscal year beginning October 1, 2026, and ending on September 30, 2027.

   b. **FY27 Compensation Plan**
      The Board will consider and may adopt Resolution No. 2026-17, approving the Tucson Airport Authority Compensation Plan dated October 1, 2026.

   c. **Project Jupiter Business Terms**
      The Board will consider and may adopt Resolution No. 2026-18, approving the delegation of authority to the President/CEO, or her designee, to negotiate and execute an agreement with Jupiter Power allowing Jupiter Power to complete feasibility assessments on sixty (60) acres of land in Sonora East for the proposed construction of an electrical storage facility.

8. **DIVISION UPDATES**
   The Board may receive a short presentation or ask questions of division representatives based upon material in the Board packet.
   a. **Air Service Development | Update**
   b. **Legal | Update | Member Resource Page**

9. NEXT MEETING
Wednesday, December 2, 2026, at 3:00 P.M. | TAA Board Room

10. ADJOURN

TUCSON AIRPORT AUTHORITY |Board of Directors Regular Meeting
Wednesday, August 5, 2026|4:00 P.M.|TAA Board Room and Microsoft Teams

THIS REGULAR MEETING OF THE TUCSON AIRPORT AUTHORITY (TAA) BOARD OF DIRECTORS WAS HELD IN A HYBRID MANNER. BOARD 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 Michael Hammond called the meeting to order at 4:05 P.M.

   Directors Present: Chair Michael Hammond, Vice Chair Phil Swaim, Secretary Vance Falbaum, Treasurer Rhonda Piña (via Teams), Director Tim Overton, Director Todd Jackson (via Teams), Director Ellen Wheeler, Director Judy Rich, Director Calline Sanchez (via Teams), and Director Carol Stewart (via Teams).

   Directors Absent: Director Fran Katz

   Staff Present: President/CEO Danette Bewley, Executive Vice President/Chief Operating Officer Bruce Goetz, Executive Vice President/General Counsel Chris Schmaltz, Vice President and Chief Revenue Officer John Voorhees, Vice President and Chief Financial Officer Mary Fowler, Chief People Officer Kim De La Torre, Chief Communication Officer Austin Wright, Deputy General Counsel Kim Outlaw Ryan, Associate General Counsel LeCarie Whitfield, IT Customer Support Technician Hector Lopez, and TAA Clerk Carolina Cordova.

   TAA Members Present: Steve Bossé, Angela Gee, and Linda Mazon Guitierrez.

2. **CONSENT AGENDA**
   Chair Michael Hammond called for a motion for Board approval of the May 6, 2026, Board of Directors Meeting Minutes, which was the only item on the Consent Agenda. There being no discussion, a motion was made:

   Motion by Director Vance Falbaum, seconded by Director Ellen Wheeler, to approve the Consent Agenda. The Motion carried by the following vote:

   Ayes (10) **Hammond, Swaim, Falbaum, Piña, Jackson, Overton, Wheeler, Stewart, Rich, Sanchez**
   Nays (0)

3. BOARD CHAIR REPORT

a. TAA Advocacy

- Chair Michael Hammond reported on attending the Financial Council Meeting that occurred August 5, 2026, at 3:00 PM, prior to the Board meeting. He commented positively on the new Airline Use Agreement that will provide transparency for the airlines in terms of how costs are allocated. He commended Vice President and Chief Financial Officer Mary Fowler and her team for all their hard work.
- Chair Michael Hammond expressed the importance of the TAA Membership being involved in the community. He recognized TAA Members Lesah Sesma and Amanda Wiggins who were included in the BizAwards section of Women Leading the Region in the BizTucson summer 2026 edition, due to their involvement in the community. He also acknowledged the CEO of Visit Tucson, Felipe Garcia, who was included in the BizTucson summer 2026 edition under the BizTravel section. The articles are included in the Board meeting materials.
- The May 2026 Member Breakfast and Business Meeting has been rescheduled for the afternoon of October 15, 2026. He expressed the importance of attending this event and Vice Chair Phil Swaim added that it is important for the TAA Members to be champions of activities of the airport.

4. PRESIDENT/CEO REPORT

a. President/CEO Danette Bewley provided an industry and TAA Airport System update:

- President/CEO Danette Bewley discussed the impact, globally, of high fuel prices on airlines' operating networks, with airlines contracting their service offerings or removing flights altogether in certain markets. The airlines serving TUS have lowered profit forecasts as the fuel pricing escalations continue. Although capacity has slightly declined, revenue remains positive. We are communicating with the airlines about their future plans to ensure our budget forecasts are accurate at TUS; however, airlines are reluctant to commit, as they normally would, due to ongoing economic uncertainties.
- President/CEO Danette Bewley discussed the monumental achievement of modernizing and finalizing a 10-year Airline Use Agreement (AUA). As you know, the TAA had been operating with an agreement that was developed in the 1980's and amended ever since. She stated a long-term AUA allows the airport more certainty, especially as we approach million-dollar capital programs.
- She reported on notable staff changes, including Mary Fowler being named as Vice President and Chief Financial Officer, Chief Scott Bader, who is retiring from the TAA after 20 years of service, and Tom Bailey being hired as the new Chief of Police. Chief Bailey's swearing-in ceremony will be held during the September Board of Directors Meeting. Director of Properties and Concessions Emin Aydin

left the TAA for an opportunity at an airport in Florida. Vice President and Chief Revenue Officer John Voorhees is actively recruiting to fill this position.

- President/CEO Danette Bewley reported that TAA continues discussions with the FAA on the Airfield Safety Enhancement (ASE) project. She remains confident that the FAA will continue to commit federal funds that support TAA's capital projects.

5. **ACTION ITEMS**

Vice President and Chief Revenue Officer John Voorhees referenced the accompanying materials and provided a brief overview of each item and Chair Michael Hammond called each action item for approval and opened the floor for Board discussion on each item separately.

Motion by Director Judy Rich, seconded by Director Tim Overton, to approve Resolution No. 2026-10, approving the winning bidder of the Terminal Advertising Services Contract RFP, and delegating authority to the CEO or her designee(s) to execute a Terminal Advertising Services Contract. The Motion carried by the following vote:

Ayes (10) **Hammond, Swaim, Falbaum, Piña, Jackson, Overton, Wheeler, Stewart, Rich, Sanchez**
Nays (0)

Motion by Director Tim Overton seconded by Director Ellen Wheeler, to approve Resolution No. 2026-11, approving the delegation of authority to the President/CEO, or her designee, to negotiate and execute an agreement with Oso Energy Storage LLC for Oso Energy Storage due diligence review and lease of TAA property. The Motion carried by the following vote:

Ayes (10) **Hammond, Swaim, Falbaum, Piña, Jackson, Overton, Wheeler, Stewart, Rich, Sanchez**
Nays (0)

Motion by Director Carol Stewart, seconded by Vice Chair Phil Swaim, to approve Resolution No. 2026-12, approving the delegation of authority to the President/CEO, or her designee, to negotiate and execute an amendment to the existing Lease with Raytheon Company. The Motion carried by the following vote:

Ayes (10) **Hammond, Swaim, Falbaum, Piña, Jackson, Overton, Wheeler, Stewart, Rich, Sanchez**
Nays (0)

6. **PRESENTATION AND DISCUSSION**

   a. **The Board received a presentation and held a study session on a new proposed Rental Car Customer Facility Charge Program for TUS:**

      - Executive Vice President and General Counsel Christopher Schmaltz provided an overview of the proposed Customer Facility Charge (CFC) Program during the study session. He explained that the CFC program is a user fee that supports infrastructure serving commercial airport activities related to rental car programs. Key benefits include aligning revenues associated with the program with the facilities and services of rental car users and beneficiaries, while also providing greater financial flexibility. President/CEO Danette Bewley noted that the proposed CFC program is consistent with airport programs across the nation.
      - Vice President and Chief Revenue Officer John Voorhees and Vice President and Chief Financial Officer Mary Fowler further explained the current CFC program and why the establishment of the proposed CFC Program is recommended. The current CFC program was instituted to pay off debt for the investment in the current 'Rent-A-Car' (RAC) facility. This debt repayment will be honored under the new CFC Program, if adopted, with additional revenues under the new CFC Program being used for projects mentioned in the Board Memo and proposed Resolution, accompanying the Board meeting materials. Also, the proposed projects to be paid for by the new CFC are included in the proposed FY27 TAA Operating and Capital Budget. TAA has engaged in open conversations with rental car partners about the new rates and benefits of the new CFC Program and to address any concerns.
      - The proposed CFC program addresses the capital improvement needs of the RAC users. Urgent projects include the RAC restroom facilities, parking garage lighting, and underground storage tanks. A possible larger capital project in the future is to upgrade the RAC facility, which is currently at capacity for the brands that operate there. Upgrading the facility would allow more rental car companies to operate at TUS, rather than at a site off campus, and create more revenue for the airport.
      - Vice Chair Phil Swaim asked questions to clarify statements in the study materials and presentation about the cost to construct a new RAC facility and the proposed revenue improvement under the new program. VP/CRO John Voorhees provided as example that RAC facilities may cost over $100 million to construct. He also explained that under the new CFC Program, car rental revenues may double if average length of rental grows. EVP/GC Christopher Schmaltz affirmed that a per contract day CFC rate is an industry standard. Director Tim Overton asked whether revenue segregation of CFC revenue is significantly different from how CFC revenue is currently being recorded. VP/CRO John Voorhees explained that the current reporting method is neither as transparent nor as strategic as TAA would like and that the proposed new CFC revenue reporting structure is a more sophisticated model. Under the new CFC Program, there is more clarity and greater visibility into how the money will be spent. VP/CFO Mary Fowler further explained the proposed CFC Program removes RAC revenue from the airlines' rate base calculation.

- President/ CEO Danette Bewley clarified that the proposed CFC Program is the result of an ongoing financial overhaul within the TAA over the past few years. TAA is thinking proactively. Many of the Board Members voiced positive feedback regarding this proposed change to the CFC Program. There was further discussion on the parking garage and possible solutions. VP/CRO John Voorhees generally described the possible expansion options; however, such items will be considered as part of the updated Airport Master Plan process. TAA plans to present a memo and resolution for the Board's review and approval at the September Board of Directors Meeting.

7. NEXT MEETING
Wednesday, September 2, 2026, at 3:00 P.M.|TAA Board Room

8. ADJOURN
Chair Michael Hammond adjourned the meeting at 4:55 P.M.

APPROVED BY:	**Prepared by:**
___________________________________	___________________________________
Vance Falbaum, Secretary	Carolina Cordova, TAA Clerk
Date: ____________________	Date: ____________________

Date: September 2, 2026

To: TAA Board of Directors
From: Mary Fowler, Vice President of Finance/CFO
Re: Public Safety Personnel Retirement System Pension System Funding Policy FY27

Background:
Arizona Revised Statute (A.R.S.) § 38-863.01 requires that the governing body of an employer participating in the Arizona Public Safety Personnel Retirement System (PSPRS) adopt a pension funding policy for employees hired before July 1, 2017. The policy is to include:

- Objectives to address the maintenance of the stability of contributions
- How and when funding requirements will be met
- A funded ratio target and a timeline to reach the target

The policy must also include a formal acceptance of the pension assets and liabilities based on published PSPRS actuarial reports.

The proposed TAA PSPRS Funding Policy for FY27 attached hereto as Exhibit A and is the legally required TAA policy prepared with the intent of satisfying the requirements established by A.R.S. § 38-863.01 in both letter and spirit.

The policy broadly describes the nature and function of the two TAA PSPRS pension plans, formalizes the commitment to required bi-weekly funding of required pension contributions, accepts the pension assets and liabilities as presented in recent annual reports provided by PSPRS and declares TAA's goal of maintaining a 100% funded ratio.

Strategic Plan/Analysis
Personnel related costs, including TAA's PSPRS related costs, are a key component of the Strategic Plan, within the Strategic Initiative of Accelerate Performance. The FY27 Operating and Capital Budget includes $33.9 million for the full impact of personnel costs, with a total budget of $52.8 million. The FY27 Operating and Capital Budget was discussed with the Airline and Airport Affairs Committee (AAAC) on July 26, 2026, and the TAA Financial Council on August 5, 2026, respectively. There were no objections from the AAAC to the proposed FY27 Operating and Capital Budget, and the Financial Council unanimously recommended approval of the proposed FY27 Operating and Capital Budget to the Board of Directors.

Recommendation:
TAA staff recommends that Board of Directors approve Resolution 2026-13, approving as presented the Tucson Airport Authority PSPRS Pension Funding Policy for FY27.

Attachments:
Exhibit A – Policy No. 2026-08 – PSPRS Funding Policy FY27

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE TUCSON AIRPORT AUTHORITY, INC., ADOPTING THE TAA POLICY ON FUNDING PENSION OBLIGATIONS UNDER THE ARIZONA PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM FOR FY27.

WHEREAS Arizona Revised Statute (A.R.S.) § 38-863.01 mandates that each governing body shall annually adopt a pension funding policy for the Public Safety Personnel Retirement System (PSPRS) for employees hired before July 1, 2017; and

WHEREAS the Board of Directors accepts the staff recommendations as detailed in the Board Memorandum and *TAA Policy No. 2026-08 – Public Safety Personnel Retirement System Pension Funding Policy FY27.*

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

The Board of Directors hereby adopts TAA Policy No. 2026-08 – *Public Safety Personnel Retirement System Pension Funding Policy FY27* – attached hereto as Exhibit A and incorporated by reference herein, authorizing the President/CEO or her designee[s] to execute the policy, transmit the policy to the Public Safety Personnel Retirement System, and to take any further actions necessary to comply with A.R.S. § 38-863.01.

PASSED AND ADOPTED by the Board of Directors of the Tucson Airport Authority, Inc., this second day of September, 2026.

Michael Hammond, Chair of the Board

ATTEST:

APPROVED AS TO FORM:

Phil Swaim, Secretary

Christopher Schmaltz, Vice President and General Counsel

EXHIBIT A

TUCSON AIRPORT AUTHORITY POLICY NO. 2026-08

PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM
PENSION FUNDING POLICY FY27

Public Safety Personnel Retirement System Funding Policy FY27

Policy No.	2026-08
Effective Date	09/02/2026
Authorized By	D. Bewley
Supersedes Policy No.	2025-11
Business Owner	Finance

Objective:

This policy is a statement of the objectives of the Tucson Airport Authority (TAA) regarding the funding of the public safety pension in which it participates for public safety employees participating in the Public Safety Personnel Retirement System (PSPRS) hired before July 1, 2017. It represents a commitment to our participating PSPRS employees and was specifically prepared to ensure TAA's compliance with A.R.S § 38-863.01.

Scope:

This policy will be submitted to PSPRS upon authorization to comply with A.R.S. § 38-863.01. Additionally, in accordance with A.R.S. § 38-863.01, TAA is required to make this policy available on the company website. The aspects of this policy that relate to payroll withholdings and payment of contributions into the PSPRS programs applies to the Finance Department and the bi-weekly payroll process.

Definitions/Terminology:

The following terms are used throughout this policy:

> **Unfunded Actuarial Accrued Liability (UAAL)** – This represents the calculated difference between trust assets and the estimated future cost of pensions earned by employees. UAAL arises when actual results in the pension program differ from the assumptions used in previous actuarial valuations.
>
> **Annual Required Contribution (ARC)** – This represents the annual amount that TAA is required to pay into the pension funds. This amount is a percentage of current payroll expense. The percentage is determined by PSPRS through actuarial valuations. It is comprised of two primary components: normal pension cost – estimated cost of pension benefits earned by participating employees in the current plan year; and amortization of UAAL.

Procedure:

Employees of the TAA participate in PSPRS if they are employed in either police or firefighting capacities and meet the minimum work qualifications. The PSPRS administers an agent multiple-employer defined benefit pension plan. PSPRS acts as a common investment and administrative agent which issues, on an annual basis, financial reports detailing pension plan assets, liabilities, pertinent funding information and actuarial assumptions. Under this structure, PSPRS comingles investment resources of all participating agencies and serves as the statewide uniform distributor of benefits. However, each participating agency is treated as an individual trust fund, with separately identifiable assets and liabilities. There are two separate participating agencies within TAA:

1. Tucson Airport Authority Police Department (TAAPD); and
2. Tucson Airport Authority Fire Department (TAAFD).

TAA Annual Operating and Capital Budget

Each fiscal year, the TAA develops the annual Operating and Capital Budget, which includes required contributions into the PSPRS system as part of the personnel budget. The annual Operating and Capital Budget is aligned the the federal fiscal year and is effective October 1 of each year, if approved by the TAA Board of Directors.

Stability and Frequency of Contributions:

Upon completion of the bi-weekly payroll process, TAA shall remit to the PSPRS all required pension contributions for participating employees as defined by the PSPRS. In general, the required contributions are derived by applying the required percentage contribution rate (published by PSPRS annually) to each employee's pensionable wages (as defined by PSPRS).

Acceptance of Pension Assets and Liabilities:

TAA formally accepts the reported share of pension assets and liabilities for both TAAPD and TAAFD as presented in the GASB 68 statements provided by PSPRS.

GASB 68 statements published by PSPRS for the plan year ended June 30, 2025 for TAAPD and TAAFD reflected the following:

	TAAFD	TAAPD	Total
Total Pension Liability	$ 22,637,139	$ 25,030,581	$ 47,667,720
Plan Fiduciary Net Position	21,208,538	24,652,795	45,861,333
Net Pension Liability (Asset)	$ 1,428,601	$ 317,414	$ 1,806,387
Funded Ratio*	93.69%	98.49%	96.21%

**Plan fiduciary net position as a percent of total pension liability*

TAA's funded ratio goal is 100% (fully funded) over a period of 15 years. This is consistent with the standard amortization period per the PSPRS's Actuarial Valuation Report as of June 30, 2025.

Funded Ratio Target:

TAA will continue to remit ARC payments on a bi-weekly basis as defined by PSPRS with the goal of maintaining a 100% funded ratio. PSPRS reviews its pension assumptions annually. Accordingly, the ARC and amortization period may be adjusted as a result of these reviews. TAA plans to remit ARC as required by PSPRS to achieve its goal of 100% funding within a 15-year period.

Authorized by:

Danette Bewley
President/CEO

Date

Date: September 2, 2026

To: Board of Directors
From: Chris Schmaltz, Executive Vice President/General Counsel; Mary Fowler, VP/Chief Financial Officer; John Voorhees, VP/Chief Revenue Officer
Re: TUS Customer Facility Charge (CFC) Program

Background

At its August 5, 2026 meeting, the TAA Board of Directors participated in a study session regarding the establishment of a new Customer Facility Charge (CFC) program at Tucson International Airport (TUS). The Board reviewed written materials prepared by TAA staff, received a presentation from TAA staff and engaged in a question-and-answer session regarding the program. The Executive Summary has been updated in this memo to reflect the most current project cost estimates.

TAA's Rent-A-Car (RAC) facility was completed in 2002 at a cost of $19.4 million as part of the Capital Improvement Plan (CIP) following approval by both the TAA Board and the Signatory Airlines. The project was initially financed through an internal loan from TAA reserves (the RAC Facility Loan). Under the approved funding structure, Signatory Airlines agreed to repay that loan over time through the airport's rates and charges framework.

As part of this financing approach, TAA also established a Customer Facility Charge (CFC) Program, which allows for fees to be collected by car rental companies from their customers, whereby revenues generated from the CFC program in excess of the loan repayment to the Signatory Airlines were applied to the TAA airport system. This CFC Program, a common approach used at airports nationwide, was adopted as an equitable method of funding rental car infrastructure while minimizing disproportionate impacts on individual operators.

The RAC Facility Loan contemplated a 20-year repayment period, with the first five years structured as interest-only payments to allow for a phased implementation of the CFC Program. Full recovery of capital costs was scheduled to occur during years six through twenty.

These funding mechanisms successfully supported development of the RAC facility. However, as the facility has aged and the related financing repayment obligation nears completion, with the existing loan scheduled to be fully repaid in July 2027 (see Exhibit A), the current revenue structure and funding model warrant re-evaluation. A new CFC Program is necessary to address anticipated capital repair and maintenance needs and to ensure the facility remains safe, functional, and serviceable in the short-, middle- and long-term.

TAA staff have worked collaboratively with TUS car rental agencies to develop the framework for a new CFC Program. The rental car companies are generally aligned with the program's core principles, and the priority projects it is intended to support.

Ultimately, any recommendations as to the use of CFC Program funds will be driven by and incorporated into the Airport Master Plan process, which is expected to commence in FY27.

Strategic Plan | Analysis:

This effort supports the Strategic Plan Initiatives: Expand Prosperity and Project Excellence. The deliberate planning process involved will ensure that TAA has a thoughtful, objective-oriented CFC Program designed to meet specific financial goals. It will be designed to strategically build funds that support the future RAC facility infrastructure projects. Furthermore, it will establish clear authority for use of the funds by segregating CFC revenue from the TAA General Fund while enabling the CFC Program to become self-sustaining with little to no impact on the airline rates and charges model, which the Airlines expect. Finally, there will be increased stability and credibility as TAA evaluates all its financial options, including whether to seek external funding for major capital projects at the RAC. TAA will be well positioned for flexible financing options with a CFC Program that has clear authority, sound financial planning, well-defined goals, a thoughtful cost recovery strategy, and reliable future revenues.

Cost Analysis:

Under the current funding structure, CFC revenues have been collected in excess of the amount needed to satisfy annual debt service on the RAC Facility Loan. Historically, those excess revenues have flowed into the broader airport system, providing an additional funding source that has helped offset airport operating costs. As a result, the airport system has benefited from supplemental revenue generated by RAC users, which has in turn reduced the level of operating costs otherwise recoverable through airline rates and charges.

With the existing RAC Facility Loan set to be fully repaid in July 2027, TAA has an opportunity to re-evaluate the RAC funding model and better align future CFC collections with the facility's ongoing capital and maintenance needs. Now, more than twenty years old, the RAC facility requires targeted investment to address both deferred maintenance and planned improvements, including a repair and replacement of underground fuel storage tanks (USTs), restroom renovations, and garage lighting upgrades, among other projects. Longer-term planning will also be necessary to evaluate future facility needs, including the eventual installation of above-ground fuel storage tanks (ASTs) to support rental car operations.

A summary of these projects follows:

1. <u>Assessment and repair of the Underground Fuel Storage Tanks (USTs)</u>. The TUS RAC facility operates seven (7) underground fuel storage tanks. One tank recently failed inspection and has been removed from service, with repair costs estimated at

approximately $263,000. Because the remaining six tanks are of similar age, staff have retained services to inspect them as well, at an estimated cost of $22,000. The remaining six (6) USTs also show signs of significant wear. Conducting similar repairs to all seven (7) USTs could cost approximately $1.8M. During the repair effort which would span several months TAA would need to rent a temporary fuel storage solution for the affected RAC agencies. This cost would be approximately $14,000 per month. The total cost of the UST repair project is estimated to be $1.9M not including contingency costs.

2. Improvement of the Garage Lighting. Insufficient lighting in the Ready/Return garage has been a recurring concern for rental car employees and customers. Poor visibility makes it more difficult for customers to inspect vehicles and creates safety and security concerns for staff. A formal engineering assessment of the lighting improvements is still pending; however, the project is currently estimated to cost approximately $2 million. This project is likely to be brought to the Board in the future, and not part of the initial list of projects for FY27.

3. Renovation of the RAC Restrooms. This project addresses a long-standing need for employees working in the car rental area. The existing restrooms require renovation to meet current City of Tucson Code requirements and improve overall functionality. In 2022, a TAA Resource Allocation Plan (RAP) project allocated $75,000 from the RAC Maintenance Reserve Fund for design. The total project cost, including reimbursement of those design expenses, is estimated at approximately $365,000 yet could be higher.

4. Procurement of consultant services for RAC master planning. The RAC facility is approaching its operational capacity and will ultimately require significant capital investment to modernize the facility, expand capacity, and position TAA to capture additional revenue opportunities. To support that long-term planning effort, staff has engaged a consultant to develop conceptual options for future growth, including evaluation of above-ground fuel storage tanks that are more consistent with current industry practices. The cost of these initial planning services is estimated at approximately $103,000.

TAA currently assesses a CFC of $4.50 per rental car transaction. While this rate is adequate to retire the existing RAC facility loan on schedule, it is not sufficient to support the facility’s ongoing maintenance requirements or future capital needs. Accordingly, staff recommends transitioning to a per-transaction-day fee model, which the Business and Commercial Development Division (BCD) has identified as the prevailing industry standard. This structure would more closely align revenue generation with actual facility use and establish a dedicated funding source for RAC-related maintenance, repairs, and long-term capital planning.

Implementation:

TAA staff recommend implementing the transaction-day fee through a phased approach. Under this proposal, in the initial phase, the CFC rate would be set at $2.50 per transaction day. This measured rollout would allow TAA to begin generating a dedicated funding source for the RAC facility while preserving flexibility to adjust the fee structure as project scopes and cost estimates are further refined. It would also moderate the impact of a more substantial one-time increase on car rental operators and their customers.

TAA Finance has evaluated multiple projection scenarios and conservatively estimates that implementation of the initial $2.50 per transaction-day fee would generate approximately $2.5 million in additional net revenue, after repayment of the RAC Facility Loan, during the first year (see Exhibit B). The use of these funds would be restricted for maintenance, capital improvement, and near-term RAC facility projects. Under this new transaction-day fee model, TAA would be positioned to begin addressing these projects over time, beginning in FY27 when there are funds collected and available and likely to be fully funded within three years. Future use of collected CFC funds will be brought to the Board for review and approval as required by the CFC Program resolution.

As project scopes and cost estimates are further refined, BCD anticipates that the transaction-day fee may be upwardly adjusted in future phases. These subsequent adjustments would increase funding capacity not only for identified RAC repairs and capital improvements, but also for broader short- and long-term planning initiatives, including consultant services to support evaluation and eventual replacement of the existing RAC facility. The resolution establishing the CFC program will request CEO authority to increase the CFC collection rate up to $4.50 per transaction day before seeking the TAA Board's approval.

The proposed transaction day fee model permits TAA to responsibly transition from a debt-repayment funding structure to a sustainable user-based funding mechanism dedicated to preserving and planning for the RAC facility, which is an industry best practice. This approach would ensure that future RAC-related revenues are reinvested in the RAC system for maintenance, repair, capital planning, and eventual replacement needs, rather than continuing to flow into the broader airport system after retirement of the current internal debt.

Recommendation

Staff recommends that the TAA Board adopt Resolution 2026-14 establishing a new Customer Facility Charge (CFC) Program for TUS.

Exhibit A: Loan Payment Schedule

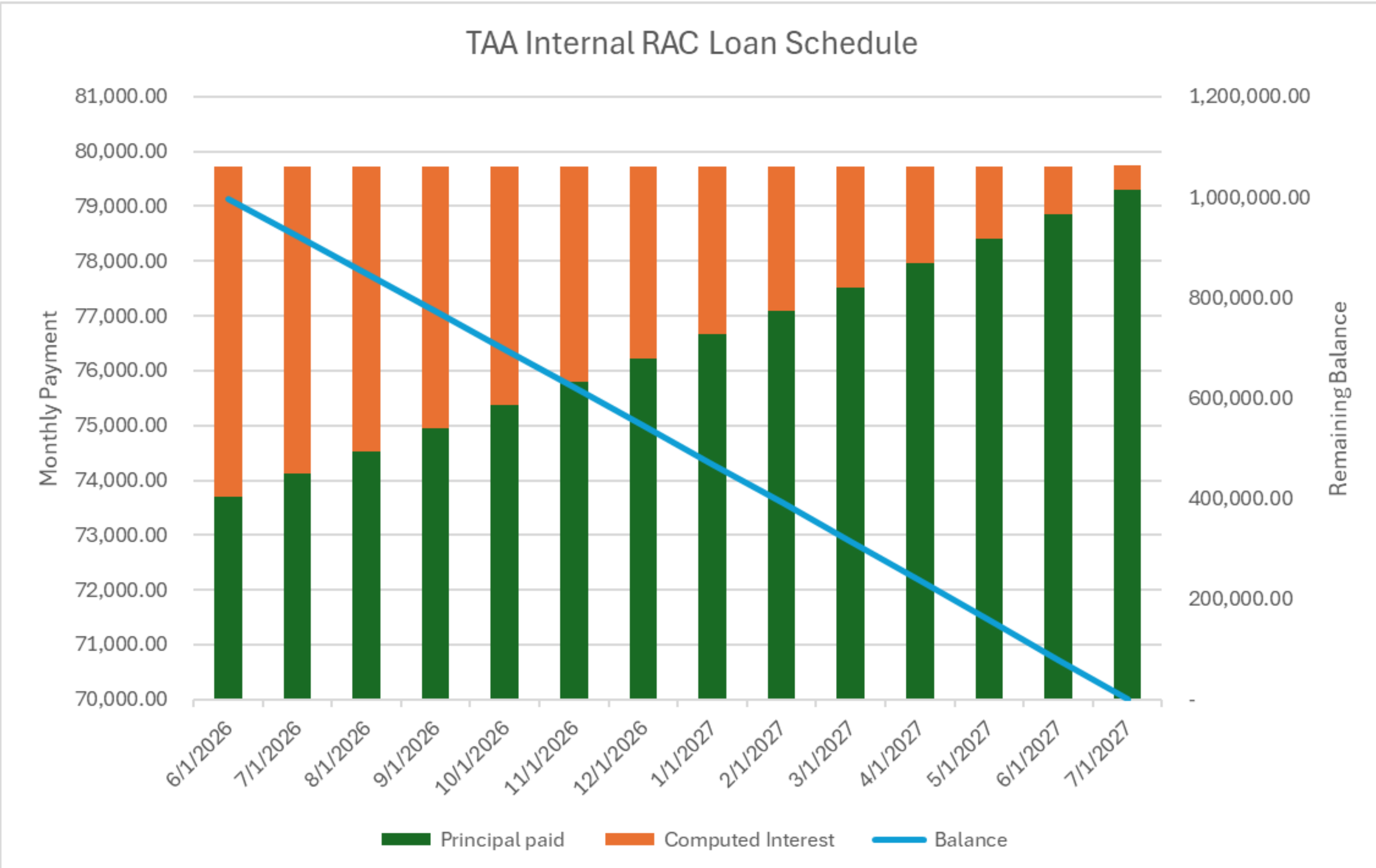
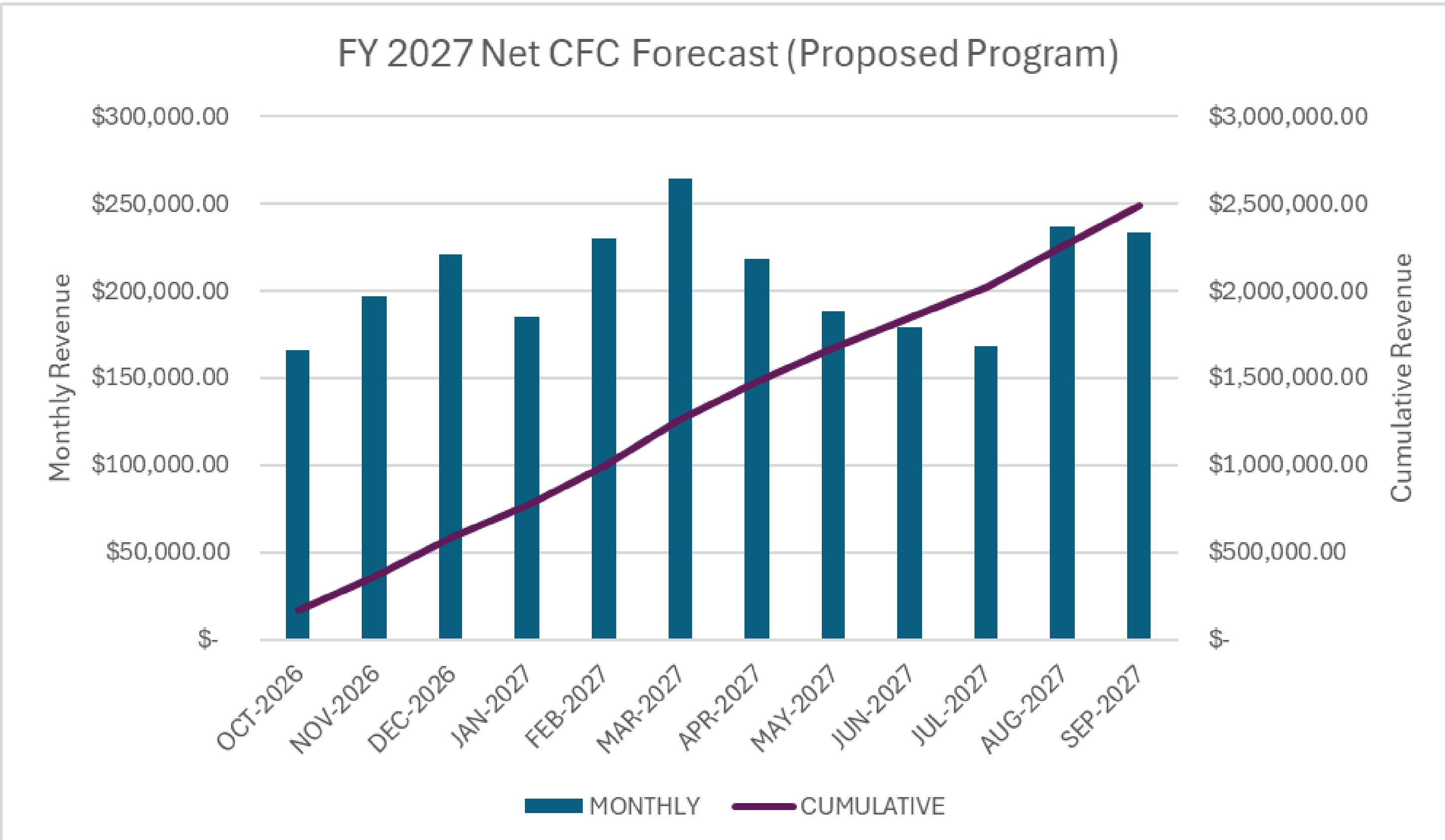


Exhibit B: CFC Collection Model at $2.50 per contract day



A RESOLUTION OF THE BOARD OF DIRECTORS OF THE TUCSON AIRPORT AUTHORITY, INC., ESTABLISHING THE TUCSON AIRPORT AUTHORITY CUSTOMER FACILITY CHARGE PROGRAM

WHEREAS the existing 'Rent A Car' (RAC) facility located at Tucson International Airport (TUS) was completed in 2002 as part of a Capital Improvement Plan with funding by an internal loan from a Tucson Airport Authority Insurance Reserve Fund approved by both the Tucson Airport Authority (TAA) Board of Directors and the Signatory Airlines operating at TUS, and

WHEREAS the RAC funding plan included the Signatory Airlines agreeing to repay the internal loan via the airport rates and charges over time through TUS' rates and charges framework, with the airport system benefiting from the existing Customer Facility Charges (CFCs); and

WHEREAS the internal loan funding program successfully supported the construction and development of the RAC facility, out of which TUS' current rental car companies operate, and

WHEREAS CFCs are a funding mechanism widely used to finance airport rental car facility improvements; and

WHEREAS the TAA created a CFC to be collected from rental car customers by the rental car companies operating out of the RAC facility for ongoing maintenance, repair and to meet future capital needs; and

WHEREAS the TAA and rental car companies mutually desire to further improve the infrastructure of the RAC facility for eligible project costs related to ongoing maintenance requirements and future capital improvement needs for the benefit of the travelling public; and

WHEREAS the TAA currently assesses a CFC at $4.50 per rental car transaction, regardless of the customer's rental car contract length; and

WHEREAS the TAA has determined the needs of the rental car program and RAC facility make it necessary to modernize the CFC Program in accordance with industry best practices, and provide a mechanism to modify the CFC to meet the current and future needs of the rental car program in support of rental car company operations and travelers using TUS.

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

1. **Definitions**
   1.1 "CFC" means the customer facility charge imposed pursuant to this Resolution and used to finance, design, construct, operate and maintain the RAC facility's eligible

project costs for ongoing maintenance requirements and future capital improvement needs.

1.2 "Customer" means the individual(s) on a signed rental car agreement as the driver(s) of the vehicle, who received delivery of, rented, shared with or picked up the vehicle at the RAC, regardless of who pays a portion of or all of the vehicle rental fees.

1.3 "Eligible Projects and Costs" means any project or expenditure that a Rental Car Company and/or Customer receives as a direct or indirect benefit at the RAC. Eligible Projects and Costs include but are not limited to, the current internal loan program that funded the existing RAC facility (RAC Internal Loan), costs, fees, and expenses associated with the planning, design, equipping, construction or other related costs for the improvements, refurbishments, and decommissioning of the rental car facilities, including but not limited to underground fuel storage tanks, garage lighting, renovation of the RAC restrooms, and RAC master planning, or other RAC associated costs that may arise. Eligible Projects and Costs shall include TAA's operating and maintenance costs in support of the RAC in addition to the foregoing.

1.4 "RAC" or "RAC Facility" means the existing and any future consolidated rental car facility located at Tucson International Airport (TUS), constructed by the Tucson Airport Authority consisting of a central customer lobby area, office and employee support space, ready/return spaces within a multi-level garage, and quick-turn-around facilities including washing, cleaning and fueling equipment, together with all associated environmental (e.g. fuel tanks and supporting infrastructure), roadway, and other rental car program supporting infrastructure improvements at TUS.

1.5 "Rental Car Companies" means any individual or business entity that is a party to a Rental Car Lease and Concession agreement with TAA for use and access to the RAC for the purpose of renting vehicles to the travelling public at TUS Airport. Off-airport rental car companies operating pursuant to a separate agreement with TAA shall be exempt from the requirements of this Resolution as they do not utilize the RAC Facility.

1.6 "TAA" means the Tucson Airport Authority, sponsor and operator of TUS pursuant to Arizona Revised Statutes §28-8423 et seq and the lease with the City of Tucson.

1.7 "Transaction Day" means a twenty-four (24) hour period, or portion thereof, and each successive twenty-four (24) hour periods, or a portion thereof, for which a full day's rental rate is assessed to a Customer regardless of the duration or length of the rental term. However, if the same rental car is rented to more than one Customer within a twenty-four (24) hour period, then each rental shall be calculated as a Transaction Day, except that a partial day that is a grace period of no more than two (2) hours after the last twenty-four (24) hour day booked and for which the Customer is not charged, shall not be considered a Transaction Day.

1.8 "TUS" means Tucson International Airport located at 7250 S. Tucson Blvd., Tucson, AZ 85756.

2. **Findings and Purpose**

The Board finds as follows:

2.1 That TUS and Rental Car Companies operating out of the RAC facility contribute to a strong economic base for TAA and the community, and assist in achieving the TAA's vision of 'Landing Prosperity in Southern Arizona'; and

2.2 That the TAA has required and will continue to require substantial expenditures for ongoing maintenance requirements and future capital improvements of the RAC facility at TUS to meet current and future demands; and

2.3 That the Rental Car Companies receive economic benefit from the use of the RAC and that pursuant to this Resolution establishing and implementing the CFC Program, Customers using the RAC shall contribute to the ongoing maintenance and improvements of RAC facilities; and

2.4 That a per Transaction Day CFC is consistent with the prevailing industry standard and would more closely align revenue generation by Rental Car Companies with actual RAC facility use; and

2.5 That the CFC per Transaction Day revenues received by TAA from the Rental Car Companies through CFCs are reasonable and vital to the financial self-sufficiency of the TAA.

3. **Customer Facility Charge Program**

3.1 On the approval date of this Resolution by the TAA Board of Directors, the CFC Program is authorized and imposed by the Tucson Airport Authority.

3.2 Effective sixty (60) days after the adoption of this Resolution, the CFC shall be $2.50 per Customer per Transaction Day. The TAA President/CEO may, in her/his sole discretion, upon providing ninety (90) days advance written notice to each Rental Car Company, adjust the CFC when necessary thereafter to meet the TAA's financial obligations with respect to Eligible Projects and Costs. The President/CEO may not adopt a CFC per Customer per Transaction Day above $4.50 without approval from the TAA Board of Directors.

3.3 CFCs collected by the Rental Car Companies and remitted to the TAA will be deposited into a CFC fund and first applied to the repayment of the RAC Internal Loan, then second to any debt service on obligations incurred by or issued by the TAA related to Eligible Projects and Costs, and the remainder applied by the TAA, in its discretion, to other Eligible Projects and Costs and to the creation of reasonable reserves. Nothing in this paragraph shall preclude the TAA Board from assigning and pledging or otherwise committing to repay debt service on bonds to be issued or other financing to be used to fund the Eligible Projects and Costs at the RAC Facility.

3.4 All Rental Car Companies required to collect the CFC under this Program shall collect the CFC from each Customer at the time payment is first made under any rental agreement with a Customer. Each Rental Car Company shall further remit to the TAA, without demand, a sum of money equal to the full amount of the CFC payable from Customers for the previous calendar month on or before the date specified in applicable Rental Car Lease and Concession Agreement together with (i) a monthly statement of transactions, which shall include Transaction Days, and (ii) an annual statement of transactions, including Transaction Days. Rental Car Companies shall be entitled to no compensation for collection of the CFCs.

3.5 The CFCs shall be separately stated on the face of the rental agreement and shall be due to the TAA from the Rental Car Company whether the Rental Car Company collected such sum from Customer or failed to collect such sum from the Customer.

3.6 Each Rental Car Company required to collect the CFC under this Program shall list the CFC separately on its customer invoice, describing it as a “TAA Customer Facility Charge” and shall charge the CFC in connection with each and every rental car contract entered into in connection with its operations at the RAC.

3.7 All Rental Car Companies shall maintain adequate records in full conformance with generally accepted accounting principles that account for all CFCs charged, collected, and remitted, and these records shall be available to the TAA for review, inspection, and audit by the TAA upon reasonable notice to the Rental Car Company.

3.8 Each Rental Car Company shall segregate, separately account for and disclose all CFCs as trust funds for the benefit of TAA in their financial statements and shall maintain adequate records that account for all CFCs charged and collected. Failure to segregate the CFCs shall not alter or eliminate the trust fund nature of the CFC collection.

3.9 Rental Car Companies shall have no legal or equitable interest in the CFCs they collect, and any collected unremitted CFCs shall be deemed to be held in trust for the beneficial interest of the TAA until they are remitted.

4. **Prior Resolutions and Future Amendments**

4.1 This Resolution supersedes and replaces any and all prior resolutions or agreements adopted by the Board or any representatives of TAA related to CFCs imposed by Rental Car Companies on Customers.

4.2 This Resolution shall be and remain in full force and effect until and unless repealed, amended or superseded by formal action of the Board taken at an appropriate public meeting.

5. **Authorization to the President/CEO**

5.1 The Board authorizes the President/CEO or her designee(s) to develop such rules and procedures as may be necessary to implement the CFC Program as identified in this Resolution. Such authorization shall not include assigning and pledging or otherwise committing to repay debt service on bonds to be issued or other financing to be used to fund the Eligible Projects and Costs at the RAC Facility, which authority shall be reserved to the Board.

5.2 Further authorization by the Board shall be required to adjust the CFC, subject to the authority granted to the President/CEO in paragraph 3.2 of this Resolution, to pay any other costs and expenses related to financing, designing, constructing, operating and maintaining the RAC facility that are not included within this Resolution. Any Eligible Projects or Costs to be paid for by CFC funds may be included in the annual TAA Operating and Capital Budget or as may be considered and authorized by the Board of Directors when the need arises, as presented by the President/CEO and/or her/his designees. Consistent with the Resolution on Delegated Authority, Resolution No. 2022-12, the President/CEO is authorized to use collected and available/otherwise uncommitted CFC funds to respond to emergencies that involve the RAC or the RAC Facility.

PASSED AND ADOPTED by the Board of Directors of the Tucson Airport Authority, Inc., this second day of September, 2026.

[continues on the next page]

	____________________________________ Michael S. Hammond Chair of the Board
ATTEST:	APPROVED AS TO FORM:
____________________________________ Vance Faulbaum, Secretary	____________________________________ Christopher Schmaltz, Executive Vice President and General Counsel

Date: September 2, 2026

To: Board of Directors
From: Mary Fowler, Vice President/Chief Financial Officer
Re: Request to Extend Professional Auditing and Consulting Services Contract

Background:
TAA entered into a Professional Auditing and Consulting Services Contract ("Contract") for independent financial audit services following a competitive procurement process. BeachFleischman PLLC was selected in the process. The current Contract is scheduled to expire on September 29, 2026.

Due to staffing challenges, the ongoing process of correcting internal issues and implementing new accounting and reporting processes that align with accounting best practices, and the complexity of audit requirements, TAA's annual financial audits have fallen behind schedule. TAA is currently completing the FY24 audit and anticipates beginning work on the FY25 audit before the Contract expires.

To support TAA's efforts to return to a timely audit cycle, Finance recommends extending the Contract with BeachFleischman through the completion of the FY25 audit. This approach will allow the current audit firm to move directly from the FY24 audit into the FY25 audit without interruption. Maintaining continuity with the current auditors will improve efficiency, reduce transition time, leverage the auditors' existing knowledge of TAA's financial systems and operations, and help accelerate completion of the outstanding audits.

TAA intends to conduct a Request for Proposals (RFP) process to select Professional Auditing and Consulting Services during FY27 for a 5-year agreement.

Strategic Plan | Analysis:
This action supports TAA's Strategic Initiative of Project Excellence by strengthening financial management and reporting. Completing the FY24 and FY25 audits and returning to a current audit cycle will position TAA to pursue future bonding opportunities and other financing options needed to support the airport's infrastructure investment and modernization efforts.

Extending the current Contract with BeachFleischman will provide continuity during a critical period as TAA works to return its financial reporting and audit schedule to a current status. The existing audit firm has developed institutional knowledge regarding TAA's accounting practices, financial systems, federal grant compliance requirements, and operational environment.

A transition to a new audit firm before completion of the FY25 audit would likely result in additional onboarding time, duplication of effort, and increased costs associated with gaining familiarity with prior-year audit work and unresolved audit matters. Allowing the current firm, BeachFleischman, to complete both the FY24 and FY25 audits will create efficiencies and support TAA's objective of completing FY26 on a timely and sustainable audit schedule.

Cost Analysis:
During the extension period, BeachFleischman will continue to provide the audit services under the Contract's existing terms and rates until the FY25 audit is completed. Funding for audit services has been included in the TAA Operating Budget for FY27.

The cost of extending the current Contract is anticipated to be comparable to the annual audit fees currently paid under the Contract. Continuing with the current audit firm avoids additional costs associated with transitioning to a new auditor prior to completion of the FY25 audit.

Recommendation:
Staff recommends that the Board adopt Resolution No. 2026-15, authorizing the President/CEO or her designee(s) to extend the Professional Auditing and Consulting Services Contract with BeachFleischman PLLC through completion of the FY24 and FY25 audits.

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE TUCSON AIRPORT AUTHORITY, INC., DELEGATING CERTAIN AUTHORITY TO THE TUCSON AIRPORT AUTHORITY'S PRESIDENT/CEO TO EXECUTE A CONTRACT EXTENSION WITH BEACHFLEISCHMAN PLLC FOR AUDIT SERVICES.

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

1. The Board recognizes that the Professional Auditing and Consulting Services Contract for independent financial audit services that was competitively awarded to BeachFleischman PLLC expires on September 30, 2026, prior to the completion of the FY24 and FY25 audits.

2. The Board finds that in support of TAA's efforts to return to a timely audit cycle, extending the Contract with BeachFleischman through the completion of the FY25 audit improves efficiency, reduces transition time, leverages the auditors' existing knowledge of TAA's financial systems and operations, and accelerates completion of the outstanding audits.

3. The President/CEO (or her designee[s]) is authorized to extend the Professional Auditing and Consulting Services Contract with BeachFleischman PLLC through completion of the FY24 and FY25 financial audits.

PASSED AND ADOPTED by the Board of Directors of the Tucson Airport Authority, Inc., this 2nd day of September, 2026.

Michael S. Hammond, Chair of the Board

ATTEST:

Vance Falbaum, Secretary

APPROVED AS TO FORM:

Christopher Schmaltz, Executive Vice President and General Counsel

Date: September 2, 2026

To: Board of Directors
From: Bruce Goetz, Executive Vice President / COO
Re: Strategic Plan 3.0 Quarterly Update

Background:
In November 2024 the Board of Directors adopted a new update to our Strategic Plan, Version 3.0. The attached report provides full detail of the progress made for the months of January through June 2026. This memorandum highlights a few specific items for this updated version of Strategic Plan 3.0.

Expand Prosperity:

1. Commercial revenue remains a strong positive story.
   - Concessions revenue is outperforming enplanements, with revenue per enplaned passenger up 12.22% year-over-year through Q3 FY26 to $13.91, while parking revenue has remained consistently above $1M per month since March 2026 despite softer transactions.

2. Land development activity is advancing across multiple opportunities.
   - Tucson Aeroplex dba Million Air has commenced construction of a new 12K sf hangar.
   - JMK Investments is preparing a 12K sf private aircraft storage hangar.
   - Project Farm negotiations are nearing completion.
   - Two (2) Battery Energy Storage System ground leases are being prepared for Board consideration.

3. Airline Use Agreement is complete and air service work is progressing.
   - The modernized Airline Use Agreement has been agreed upon by the Airlines; new rate model will commence with the start of the fiscal year.
   - TAA continues airline engagement, consumer marketing, second-home data analysis

Accelerate Performance:

1. TAA has achieved strong results in attracting and retaining talent, demonstrating the effectiveness of our workforce strategy and total rewards program.
   - Since October 1, 2025, we have achieved an approximately 89% offer acceptance rate.
   - Maintained annualized attrition at approximately 14.8% and limited regrettable attrition to approximately 6%.

- With a highly competitive benefits program, with TAA funding between 71% and 93% of employee medical premiums, it positions the TAA favorably against market benchmarks and reinforces our ability to attract and retain top talent

2. People Operations is becoming a more strategic business partner.
    - The team is working with Executive leaders and Directors to assess talent gaps, risks, team capability, and capacity tied directly to organizational goals, with examples including a conflict management workshop and expanded recruiting pipelines for hard-to-fill Finance roles.

3. Performance management and culture-building are moving from process to measurable impact.
    - Mid-year assessment shows 98% retention of 138 FY25 “exceeded” performers, while also advancing benchmarking, stay/exit interview review, onboarding feedback, and planning for a broader all-employee survey.

Project Excellence:

1. Airfield Safety Enhancement Progrm (ASE)
    - The ASE Program reached a significant milestone during this period as Granite Construction has started placing concrete on new Runway 12R-30L.
    - As of June 30th approximately 25% of the concrete has been placed (100,000 cy total to be placed) and we are targeting September for completion of the concrete phase of the project.
    - We expect additional grant funds in the August/September time frame which will fund the 50’ asphalt shoulders.
    - The new runway is on schedule and expected to be commissioned late spring 2027. However, this does not mean the new runway is open; there is work to connect the new runway geometry with other elements of the improved infrastructure.

2. Cybersecurity
    - Cybersecurity remains a top priority to meet TSA regulatory mandates and to ensure our systems are hardened against cyber-attacks.
    - Significant improvements have been made to our network infrastructure along with monitoring systems to alert us real-time when potential events occur.

TAA Champions:

1. Community Outreach
    - TAA began hosting key community leaders at TUS for business-enterprise briefings and airfield tours, including representatives from Cox Communications, Banner

Health, Town of Oro Valley, Town of Marana, City of Tucson, and the office of Representative Juan Ciscomani.
- TAA continues to be active and engaged with the Oro Valley Tourism Advisory Council.

2. Legislation
    - The TAA continues to engage regularly with our state level legislative delegation, most recently lobbying for updates to HB2875 (unmanned aircraft delivery) and HB2641 (prohibition of firefighting foam containing PFAS). Our input on these and other proposals helped to produce improved legislation for airports on these issues.

3. Public-Facing Promotional Information
    - The TAA continues to share the $10.9 billion annual economic impact at all public facing presentations.
    - Leveraged community leaders for a testimonial series with Biz Tucson, most recently highlighting Visit Tucson CEO Felipe Garcia and his support for TUS.
    - TAA team member have given over 15 presentations to community groups since the start of the fiscal year.

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Strategic Plan 3.0 Update

Strategic Initiatives

9 10

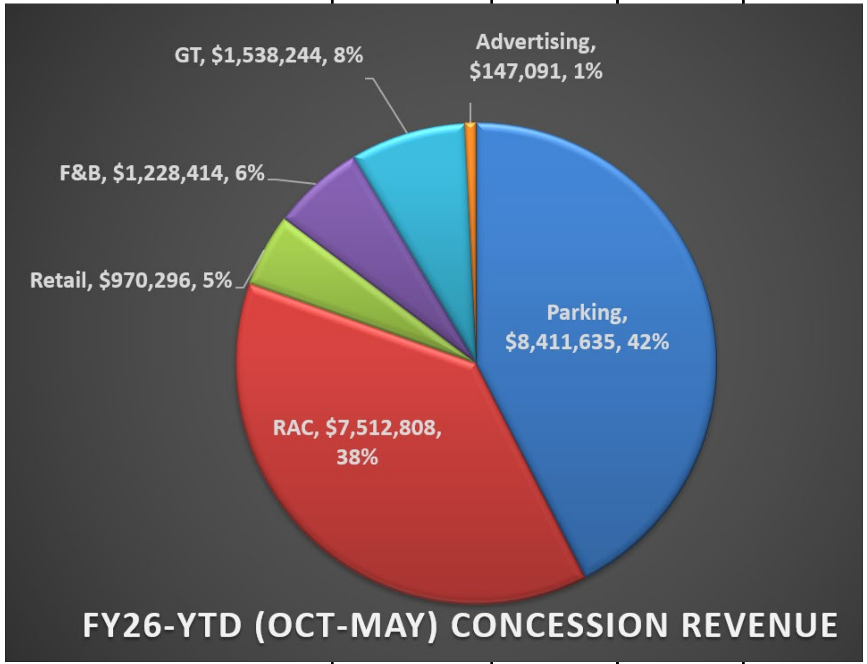
STRATEGIC INITIATIVES

STRATEGIC INITIATIVES

FY2025 – FY2027

	EXPAND PROSPERITY	ACCELERATE PERFORMANCE	PROJECT EXCELLENCE	TAA CHAMPIONS
Continue the Transformational Journey	*Powering Growth*	*Leverage Talent to Support Investments (Projects, Programs, and Initiatives)*	*Modernize Airfield Safety and Terminal Complex*	*Drive the Vision*
The Future is Now	*Invest to Support Economic Demand*	*Energize Leadership for our Workforce of the Future*	*Evolve Innovation and Agility*	*Elevate Advocacy*
The Power of Engagement	*Realize the Benefits of a Connected Community*	*Secure Recognition as Employer of Choice*	*Embed Efficiency and System Reliability*	*Engage Community and Industry Change Makers*

Goal	Owner	Q4 FY25	Q1 FY26	Q2 FY26	Q3 FY26	Q4 FY26	Status	Focus Areas	Board Update
Develop Business Intelligence practices to timely track and positively influence airport revenue generation trends	John Voorhees						On Track	➢ **Develop Business Intelligence practices to timely track and positively influence airport revenue generation trends.** ➢ **Begin planning initiatives related to terminal modernization, including enabling projects. Align concessions and parking programs with terminal modernization project.**	➢ The travelling public continues to show strong support for TUS Concessions. Concessions revenue continues to outperform TUS enplanements. Revenue per enplaned passenger (RPE) remains strong growing 12.22% YOY through Q3 FY26 at $13.91. ➢ The TUS parking operation is still very strong. Transactions have softened by approximately 7.56% but the average customer parking transaction revenue is $34.07. Parking revenue growth has averaged 21.04% YOY in Q1 FY26. Since March 2026, TUS Parking monthly revenue has stayed consistently above $1M. ➢ Hudson (Retail Prime Concessionaire) completed its end of term refurbishments. This effort facilitated Hudson's contract extension for the next two years. These improvements will offer more efficiency to the traveling public. Hudson's revenue remains flat year over year. ➢ Areas (Food and Beverage Prime Concessionaire) continues to outperform its MAG as the company adjusts to new ownership. Areas will seek an extension to their contract as well. TAA staff are balancing the timing of these contract extensions with the eventual terminal modernization project. ➢ Lamar Advertising successfully won the advertisement concessions RFP bid. Pending Board approval, the concessionaire intends to increase its Minimum Annual Guarantee and invest significant capital to improve advertisement opportunities in the terminal.



Progress Legend

Overall Goal Timeline	Current Status Within Goal	Goal Complete	Behind Schedule	Goal Not Started due to timing of priorities

TAA QUARTERLY BOARD REPORT

Period Ending June 30, 2026

Goal	Owner	Q4 FY25	Q1 FY26	Q2 FY26	Q3 FY26	Q4 FY26	Status	Focus Areas	Board Update
Market/Develop TAA land to enhance the revenue stream and ensure economic stability	John Voorhees						On Track	➢ **Continue to market/develop TAA land to enhance the revenue stream and ensure economic stability.**	➢ Million Air has begun construction of its new 12KSF hangar in the Valencia General Aviation apron. The company has also begun paving a section of land to accommodate more parking with the tenant. JMK Investments will soon begin construction of a 12K SF hangar for storage of a private aircraft. ➢ Project Farm negotiations are nearing completion. TAA is evaluating the subject parcel for environmental remediation efforts prior to agreeing to business terms. Project Farm is eager to reach an agreement and secure the site. ➢ BCD will present business terms for the Board to consider ground leases with two Battery Energy Storage System companies. Projects Farm and Jupiter desire to construct their systems in the same general area of Sonora East. They are both pursuing an interconnection with TEP to facilitate the projects. ➢ Schnitzer Properties had a project team leadership change. While the company remains committed to develop 96-acres of property near Los Reales Road this represents a small set back in the planning process as the new team takes on the project. ➢ Pratt and Whitney is well into the construction of the permanent engine test facility site. The A-17 ramp license agreement will be extended to August 31, 2026 to permit their operation as construction winds down and the company moves to its permanent site. ➢ BCD has initiated a subscription with Costar/Loopnet to advertise vacant TAA properties on the real estate website. The first year has been a good trial for industry visibility. BCD will determine if greater investment is necessary to increase TAA's industry presence.

Progress Legend

Overall Goal Timeline | Current Status Within Goal | Goal Complete | Behind Schedule | Goal Not Started due to timing of priorities

Goal	Owner	Q4 FY25	Q1 FY26	Q2 FY26	Q3 FY26	Q4 FY26	Status	Focus Areas	Board Update
Negotiate Airline Use Agreement • **Finalize new AUA into a fully adopted long term agreement between the airlines and the TAA**	Austin Wright						On Track	➢ **Increase air service in underserved key domestic and international markets.** ➢ **Develop Business Intelligence practices to timely track and positively influence airport revenue generation trends.** ➢ **Begin planning initiatives related to terminal modernization, including enabling project, concessions and parking programs with terminal modernization project.** ➢ **Continue to market/develop TAA land to enhance the revenue stream and ensure economic stability.**	➢ The TAA has met on a monthly cadence with the airlines to finalize the AUA. The AUA is complete. The new AUA is projected to be signed and in effect for the start of the FY.
Expand Air Service Development Options • **Continue to focus on capacity growth with existing carriers** • **Work to engage airline partners to add new markets** • **Align marketing efforts with air service initiatives to drive demand at TUS**	Austin Wright						On Track		➢ TAA continues to stay engaged with our airline partners, and has worked to incentivize use of TUS through consumer marketing initiatives, like our free parking campaign for spring and summer. ➢ TAA continues to regularly engage with our airline partners and works to ensure the most beneficial schedules for our community. TAA has engaged with Mead and Hunt on the creation of a second home data report to create a new data connection for additional service. ➢ Demand has normalized and airlines are responding by showing growth trends that have significantly slowed to match demand.

Progress Legend				
Overall Goal Timeline	Current Status Within Goal	Goal Complete	Behind Schedule	Goal Not Started due to timing of priorities

Strategic Plan 3.0
Accelerate Performance

TAA QUARTERLY BOARD REPORT
Period Ending June 30, 2026

Goal	Owner	Q4 FY25	Q1 FY26	Q2 FY26	Q3 FY26	Q4 FY26	Status	Focus Areas	Board Update
Evaluate, update, and implement Market-Driven Total Rewards.	Kim DeLaTorre						On Track	➢ **Leverage competitive employment packages to attract and retain top-tier talent as indicated by reductions in regrettable attrition and increased offer acceptance.** ➢ **Update the TAA employment processes and policies in support of the workforce of the future.**	➢ TAA continues to see positive progress on overall talent retention and acceptance of offers. Attrition analysis completed in May 2026 highlighted several key notes: ~89% of offers accepted since 10/1/2025, ~14.8% total annualized attrition (6% regrettable). ➢ Negotiated strong value for TAA team members in benefit offering (TAA pays 71%-93% of employee medical premiums depending on plan, compared to market at ~70%).
Increase efficiency and embed People Operations as business partners in the Airport system.	Kim DeLaTorre						On Track	➢ **Expand workforce analysis to support organizational priorities, by closely examining team capabilities and capacities, acquiring resilient talent, and utilizing data to support leadership decision-making.**	➢ TAA People Operations is partnering with leaders from the Executive Team to Directors to assess current talent gaps and risks to link learning, development, and talent acquisition priorities. People ➢ Business Partners are working with business leaders to review team capability and capacity directly related to organizational goals, enabling proactive talent investment and planning decisions. Examples of recent team development outcomes include a conflict management workshop and expanded talent acquisition pipelines for hard to fill roles in the Finance department.
Unlock potential through expanded leader driven Performance Management.	Kim DeLaTorre						On Track	➢ **Continued focus on position specific and behavioral based Performance Management preparing leaders to unlock potential through clear expectations, goals, and consistent feedback to discuss progress.**	➢ Continued focus on performance management and leader empowerment. Mid-year assessment shows positive trend for retaining exceeds performers (98% retention of 138 team members that "exceeded" in FY25). ➢ Mid-year review emphasized consistent feedback and clear expectations.
Benchmark and invest in Culture and Team Member Engagement.	Kim DeLaTorre						On Track	➢ **Employ competitive benchmarking for the TAA employee value proposition using data-driven best practices and research for workplaces.**	➢ People Operations continues to research and leverage best practices regarding an expanded survey approach for the organization; and embedding best practices into policy changes, processes, and team member engagement opportunities. ➢ Key advancements in this area include, initial benchmarking with external feedback tools, evaluation of stay and exit interview feedback, structured onboarding feedback, and the planning for a broader all-employee survey. On the horizon is elevating the employee value proposition and linking how our brand of being "easy" is directly tied to our team member's and their hard work.

Progress Legend

Overall Goal Timeline | Current Status Within Goal | Goal Complete | Behind Schedule | Goal Not Started due to timing of priorities

Goal	Owner	Q4 FY25	Q1 FY26	Q2 FY26	Q3 FY26	Q4 FY26	Status	Focus Areas	Board Update
ASE Program: Complete Construction and Commissioning of the New Commercial Runway	Mike Williams						On Track	➢ **Continue construction of the ASE Program; deliver project results that meet FAA safety standards and criteria.** ➢ **Continued development of a comprehensive funding strategy for infrastructure improvements; optimize grant funding opportunities in conjunction with appropriate financing.** ➢ **Begin the design of enabling projects that support future concourse modernization; begin construction of enabling projects as grant funding is available and airline support is obtained.**	➢ New taxiway Bravo will have final surface layer completed by April 2026. Markings, signage and lighting remain scheduled pending completion of final paving. ➢ Cement Treated Base Course is 100% placed and concrete placement will begin in March 2026. Completion of runway 12R-30L is scheduled for completion in July 2027. ➢ Subject to funding for the remaining phases, estimated at approximately $100M, runway 12L-30R is planned for closure in the 2nd quarter of 2028. ➢ CMAR2 (runway 12L-30R) contractor solicitation to be initiated in September 2026. ➢ Parcel F security and RTX, Inc fencing and ECM demolition is planned to be completed in the 2nd quarter of 2027.
ASE Program: Update City of Tucson and Pima County Zoning Code and Comprehensive Planning Documents to Reflect Airfield Configuration at the Completion of the ASE Program	Mike Williams						Not Started		➢ TAA staff is finalizing proposed changes for TAA leadership review and approval. The City of Tucson shared that they do not have capacity to work on the updates to Airport Environs Zones until at least Summer 2026.
Implement Sustainability Management Plan	Mike Williams						On Track	➢ **Completion of review of updated draft plan documents leading to final plan documents**	➢ The drafts of the Sustainability Management Plan (SMP) document and Plan Overview (Executive Summary) have been provided for internal TAA review. Draft reviews are under final review internally.
Develop Comprehensive Pavement Management Program	Mike Williams						Complete		➢ Project was completed in December 2024. Pavement maintenance projects are underway.

Progress Legend				
Overall Goal Timeline	Current Status Within Goal	Goal Complete	Behind Schedule	Goal Not Started due to timing of priorities

Goal	Owner	Q4 FY25	Q1 FY26	Q2 FY26	Q3 FY26	Q4 FY26	Status	Focus Areas	Board Update
Scope Enterprise Documentation Strategy	Anthony Casella						On Track	➢ **Steering Committee to be created to gather requirements from departments**	➢ Phase 1 is complete; however, phase 2 will not start until late FY 26 due to the efforts needed to comply with TSA Cyber Security mandates along with the Airport Management System taking priority. ➢ Phase 2: • Procure a document management system to manage both digital and paper documents. This system will assist in the retention and deletion of files as well as archiving • Building a best practice framework to present to steering committee for discussion • Requirements to be defined by departments via the steering committee • Procurement methodology to be defined.
TAA Cyber Security Program	Anthony Casella						On Track	➢ **SIEM – Security Information and Event Management system** ➢ **DLP – Data Loss Prevention** ➢ **Network Segmentation** ➢ **LAPS – Local Administrator Password Solution**	➢ To further secure our environment, the following systems are in various design/implementation phases: • SIEM solution is fully installed and being configured • DLP – This is a slightly longer implementation cycle since it involves every departments input on how to classify data/files. Deployment meeting complete, Installation to begin July 26' within IT first, then Legal • Network Segmentation design complete for OT and IT segmentation, significantly improving the security posture of critical systems. Most network equipment is physically installed and is currently being configured • LAPS – this has been fully implemented.

Progress Legend				
Overall Goal Timeline	Current Status Within Goal	Goal Complete	Behind Schedule	Goal Not Started due to timing of priorities

TAA QUARTERLY BOARD REPORT

Period Ending June 30, 2026

Goal	Owner	Q4 FY25	Q1 FY26	Q2 FY26	Q3 FY26	Q4 FY26	Status	Focus Areas	Board Update
Implement Airport Management System	Anthony Casella						Behind Schedule	➢ **Stakeholder meetings occurring to define requirements and workflows** ➢ **Prioritization of modules based on milestones** ➢ **Part 139, SMS, Lease Management, Assets, Work Orders, etc.**	➢ This project has fallen behind during this reporting period as is being addressed through legal avenues. ➢ The implementation teams continue to pursue an appropriate comprehensive solution to meet the operational needs of the Airport and its affected teams.
Implement new Financial System	Anthony Casella						Not Started		➢ This project is related to the Airport Management System (noted above). Until legal issues are remedied and a new path identified, this project will remain on hold.
Install new Access Control System	Anthony Casella						On Track	➢ **Stakeholder meetings continue weekly to define requirements, workflows, and configurations** ➢ **Video Management System (VMS) implementation and configuration** ➢ **Security camera replacements**	➢ All equipment has been received. ➢ Cameras are being installed – 80ea currently installed. ➢ Implementation timeframe: 12 months.
Project Management Office (PMO)	Anthony Casella						Complete		➢ Microsoft Project Web App has been implemented and PMO team members are utilizing to manage their respective projects. ➢ Executive dashboards are complete. High-level real-time tracking of project status ➢ New Project Intake process has been implemented with more efficient automation and decision-making logic.

Progress Legend

Overall Goal Timeline	Current Status Within Goal	Goal Complete	Behind Schedule	Goal Not Started due to timing of priorities

Goal	Owner	Q4 FY25	Q1 FY26	Q2 FY26	Q3 FY26	Q4 FY26	Status	Focus Areas	Board Update
Leverage the Board of Directors and Membership to be positive voices of advocacy in our community. • **Continue to regularly communicate via Member Advisory and Top 3 for Advocacy the top points where our Member network can expand outreach efforts** • **Support the TAA with efforts that require influence and expertise**	Austin Wright						On Track	➢ **Board and Membership continue to serve as a strategic tool for championing the mission of the TAA.** ➢ **Airline relationships and strategic management of the TAA cost structure will have a positive result in increased air service, and a higher revenue yield for the TAA.** ➢ **TAA is recognized as an industry leader, positioning TUS as a top performing airport to allow for future growth and prosperity.**	➢ TAA continues to communicate on a regular cadence in the Member Advisory and E-News, while leveraging all social media platforms for the most up to date information on airport happenings. ➢ The TAA continues to engage in our community through partnerships and sponsorships to ensure our message of flying locally with ease is received and applied. ➢ The TAA was featured as the keynote speaker at 'Good Morning Tucson' in late March 2026 further promoting our messaging of the importance of flying local.
Continue Outreach and Partnerships within the Tourism Sector • **Establish key partnership with University of Arizona** • **Leverage tourism partners like Visit Tucson to attract business and air service to the region** • **Maintain our position as an airport that is a community and business partner that is easy to do business with; fostering revenue growth and expansion**	Austin Wright						On Track		➢ The TAA continues to engage in our community through partnerships and sponsorships to ensure our message of flying locally with ease is received and applied. ➢ The TAA has begun hosting key community leaders at TUS to do a presentation on the scope of our business enterprise and conduct airfield tours. Attendees have included Town of Sahuarita, Cox Communications, Banner Health, the Town of Oro Valley, the Town of Marana, City of Tucson, and others. ➢ The TAA continues to attend and engage in discussions with the Oro Valley Tourism Advisory Council meetings ensure their DMO highlights TUS as their airport of choice for regional tourism.

Progress Legend

Overall Goal Timeline	Current Status Within Goal	Goal Complete	Behind Schedule	Goal Not Started due to timing of priorities

TAA QUARTERLY BOARD REPORT

Period Ending June 30, 2026

Goal	Owner	Q4 FY25	Q1 FY26	Q2 FY26	Q3 FY26	Q4 FY26	Status	Focus Areas	Board Update
Leverage Community and Industry Champions to advance the interests of the TAA at a National, Regional, and local level **Airlines champion TAA because of its cost-effective structure** **The community values the TAA because of its ease of use and strong economic impact** **Nationally the TAA is well positioned with legislators to be positioned appropriately for funding and advancement opportunities.**	Austin Wright						On Track	**Board and Membership continue to serve as a strategic tool for championing the mission of the TAA.** **Airline relationships and strategic management of the TAA cost structure will have a positive result in increased air service, and a higher revenue yield for the TAA.** **TAA is recognized as an industry leader, positioning TUS as a top performing airport to allow for future growth and prosperity.**	The TAA engages regularly with our legislative delegation, most recently lobbying for updates to HB2875(unmanned aircraft delivery) and HB2641 (prohibition of PFAS containing firefighting foam). Our input helped to produce improved legislation in these areas at the state level. We continue to share our $10.9 billion annual economic impact statistics at all public facing presentations. Leveraged community leaders for a testimonial series with Biz Tucson, most recently highlighting Visit Tucson CEO Felipe Garcia and his support for TUS.

Progress Legend

Overall Goal Timeline	Current Status Within Goal	Goal Complete	Behind Schedule	Goal Not Started due to timing of priorities

TUCSON AIRPORT AUTHORITY
TUCSON INTERNATIONAL AIRPORT • RYAN AIRFIELD

Airport Finance Overview
TAA FY27 Rates & Charges

Board Meeting | September 2, 2026

Introduction and Objectives

What We Will Cover

- **Uniqueness of Airports as a Public Entity**
  - **Regulations and Grant Assurances**
    - FAA Revenue Use Rules
    - Self-sustainability
    - Grant Assurances
- **Revenues**
  - Aeronautical and Non-Aeronautical Revenue Streams
- **Cost Centers and Cost Allocations**
  - Airfield
  - Terminal
  - Landside
  - Ryan Airfield

- **Rate Models**
  - Residual (Airlines hold the risk)
  - Compensatory (Airports hold the risk)
- **Airline-Airport Use Agreement**
  - Terms
  - Approval Process
  - Move to a Terminal and Airfield Split
- **Rate Structures**
  - Rate Equation
  - Landing Fees
  - Terminal Rents
  - Cost per Enplaned Passenger (CPE)

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Federal Drivers: Revenue Use and Grant Assurances

Airport Revenue Use Policy

- The Airport and Airway Improvement Act of 1982 requires all airport revenue to be spent on the airport, the local airport system, or directly related local facilities
- Enforced through Grant Assurance 25, FAA Order 5190.6B, and the 1999 Policy on the Use of Airport Revenue

What Counts as Potential Revenue Diversion

- Payments in lieu of taxes, or charges above the fair market value of services actually provided
- Land or facilities leased below fair market value, i.e., to a sponsor-owned aeronautical operation
- Loans to other government agencies below prevailing interest rates
- Payment for items/sponsorships to which there is no immediate connection/economic benefit to the Airport.

Consequences

- Loss of AIP eligibility, civil penalties up to $50,000, interest on diverted funds, and withholding of other federal grants

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How TAA Generates Revenue

Aeronautical (Airlines are the Primary Revenue Source)

- AUA
  - Residual Rate Methodology (Risk is on the Airlines)
  - Signatory carriers pay lower rates; non-signatory carriers pay 25% premium
    - Typical Signatory Airlines: Alaska, American, Delta, Southwest, United
    - Typical Non-Signatory Airlines: Frontier, Sun Country
  - Cost Allocations
    - Terminal space:
      - Baggage handling system
      - Preferential and Common-Use area based on terminal rental rate
    - Landing Fees set to break even
  - FBO ground rent plus fuel flowage fees
  - Fees included in the Annual Operating Budget

How TAA Generates Revenue

Non-Aeronautical

- Rental Cars:
  - Space Rent
  - Minimum Annual Guarantees (MAG)
  - Percentage of Sales
  - Customer Facility Charges

- Concessions:
  - Food and Beverage (MAG and percentage of Sales)
  - News and Gift (MAG and percentage of Sales)
  - Advertising
  - Parking and ground transportation
    - Transportation Network Company
    - Taxis, shuttles, limousines

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How TAA Generates Revenue

FY27 Budget Revenue Mix

Passenger Airline Rates and Charges | Terminal Rentals and Landing Fees	33.6%
Concessions | Food and Beverage, News and Gifts, Rental Car, Parking	42.1%
Other Operating Revenue | Non-Terminal Space Rentals and Land Rent	24.3%

Airline Driven 75.7%

Non-Airline Driven 24.3%

TAA receives no local tax revenue, has no taxing authority and operates as a self-sustaining business enterprise. Every dollar earned on the Airport stays on the Airport.

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Revenues Excluded from Airline Rate Model

Special Reserve Revenue (Industrial Area)

- Non-aeronautical industrial, commercial, and governmental leasing at TUS
- Supports broader airport purposes at TAA's discretion
- TAA retains 75% of net revenue under the new AUA (up from 52%) for use at TAA's discretion.

Passenger Facility Charges (PFC)

- Federal per-passenger fee collected by airlines under FAA authorization
- Excluded from landing fee and terminal rental calculations
- Funds FAA-approved safety, security, capacity, noise, and competition projects
- Subject to FAA oversight, reporting, and approved project applications

Customer Facility Charge (CFC)

- Dedicated rental car customer fee collected at TAA facilities
- Excluded from airline fee calculations — no effect on airline rates
- Restricted to rental car facility debt service, O&M, and approved capital

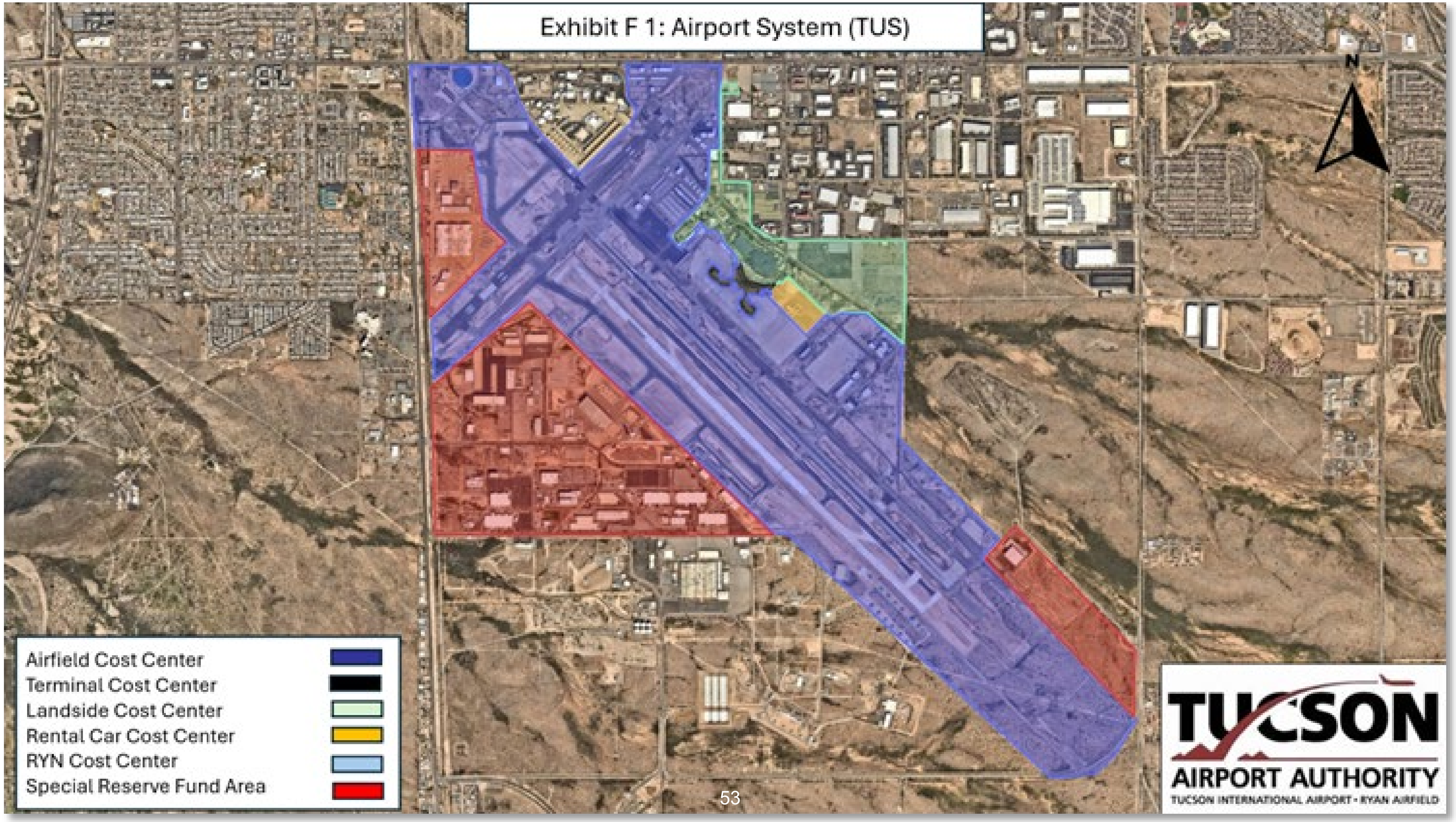
None of these sources raise or lower airline landing fees or terminal rental rates.

Cost Centers

Cost Center	What It Covers	Revenue Sources	Rate Role and Allocation
Airfield	Runways, taxiways, aprons, and facilities supporting aircraft movement and parking	Signatory and Non-Signatory landing fees; fuel flowage and tie-downs; GA and cargo facility and land rent; cargo apron parking	Residual | Sets the landing fee. Receives 20% of Landside and 100% of RYN excess/shortfall
Terminal	Gates, holdrooms, ticket counters, baggage claim, baggage handling systems, and related infrastructure	All-inclusive terminal rental rate; news and gift, food and beverage, advertising; vending, ATM and reimbursed services	Residual | Sets the all-inclusive terminal rental rate. Receives 80% of Landside excess/shortfall
Landside	Parking, rental car facilities, roadways, ground transportation access, and public access infrastructure	Public and employee parking; rental cars, TNCs, and ground transportation; landside land rent	Airport-retained. Excess/shortfall allocated: 80% Terminal 20% Airfield
Ryan Airfield (RYN)	General Aviation reliever airport managed by TAA, tracked separately from TUS	Land and facility rent; fuel flowage, landing, and tie-down fees; restaurant rent	100% of excess/shortfall flows to the Airfield cost center and landing fee

Non-airline revenue in each cost center offsets that center's costs. Allocation percentages reflect the new AUA effective Oct. 1, 2026.

Cost Centers and Special Reserve Fund Area



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Operating Expenses and Cost Allocation

Major Cost Categories

- Personnel
- Contracted services
- Utilities
- Maintenance
- Insurance

Expense Allocation Concepts

- Direct costs
- Indirect costs
- Shared services

Allocation Process

- Direct allocation to the cost center that incurs the cost
- Indirect allocation of shared services
  - Examples: Administration, Airside Operations, Fire, Police, Facilities and Maintenance

Why Allocation Studies Matter

- Transparency with Airline partners
- Defensibility under audit and negotiation
- Equity among all airport users

Capital Programs and Funding

Capital Needs

- Terminal Projects
- Airfield Improvements
- Roadways and Airport Access
- Security and Environmental Projects

Funding vs. Financing

- Cash funding from airport revenues and reserves
- Debt financing repaid through rates over time
- Long-term capital planning aligns both

Funding Sources

- Airport revenues
- FAA AIP
- ADOT
- Other grants
- PFC revenues
- Customer Facility Charges
- Bonds

Funding source selection directly affects how capital costs flow into airline rates.

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Cost Recovery: Debt Service, Capital and Exclusions

Debt Service in Rate Setting
How debt enters the rate base

- Driven by bond documents and airline agreement definitions
- Cash basis vs. deposit basis timing
- Adjusted for capitalized interest and PFC and grant offsets
- Refunding transactions and defeasance
- Coverage covenants, senior and subordinate debt, commercial paper and LOCs

Capital Cost Recovery
How assets are recovered

- Bond-funded assets recovered through debt service
- Cash-funded assets recovered through amortization
- Useful life assumptions and borrowing-rate methodologies
- Project-specific recovery where agreements require it

Common Exclusions from Rate Base
What never reaches airline rates

- Depreciation
- GASB pension adjustments
- OPEB adjustments
- Lease accounting impacts

Rate-Making Models and What they mean at TAA

Residual Model
How most of TAA works

- Airlines collectively guarantee recovery of the airport's net costs
- Requirement = airport costs – non-airline revenues
  - Example: $100M costs – $80M non-airline revenue = $20M airline requirement
- Airport gains revenue stability and strong bondholder protection
- Airlines benefit from commercial revenue growth and lower rates; rates fall as non-airline revenue grows
- Airlines carry the financial risk

Compensatory Model
The alternative

- Airlines pay only their allocated share of costs
- Requirement = allocated airline costs
- Example: $100M costs × 70% airline allocation = $70M airline requirement
- Airport retains commercial, parking, and rental car upside
- Airlines pay only for the facilities they use — a direct link between facility cost and rate
- Airports carry the financial risk

What This Means at TAA
Residual in practice

- Airlines carry the shortfall risk, so they take strong interest in how TAA spends
- Excess funds at year end flow back to the airlines through settlement
- The AUA ties the operating budget directly to airline rates
- Airline majority-in-interest approval over $1M
- Approval cycle: Airline consultation → Financial Council → Board
- Break-even budget required annually → Cost Center shortfall becomes rate setting requirement

Modernizing the AUA: From One Landing Fee to a Terminal and Airfield Split

The Prior Model

- A single rate base, amended for decades, recovered largely through the landing fee
- Terminal costs collected through a patchwork of separate, specific charges
- Shared costs were not explicitly allocated to the areas that drove them
- TAA contributed 48% of Industrial Area revenue into the system to suppress airline rates
- Limited transparency into what airlines were actually paying for

The New Framework — Effective Oct. 1, 2026

- Expenses allocated by cost center, with shared costs split on predetermined allocations and other costs identified directly
- Separate residual rate methodologies now set terminal rents and landing fees independently
- Terminal rental rate is all-inclusive, replacing the various specific terminal charges
- Airfield costs are recovered through the landing fee alone
- Rates now reflect the true cost of operating each area of the airport

One rate base → Terminal + Airfield
Costs realigned to the area that incurs the cost

Industrial Area transfer 48% → 25%
Less airport contribution to lower the airline rate base

CPE $9.74 → $11.46
FY26 to FY27 budget, a 17.7% increase

Negotiated with the AAAC during FY26 to replace an agreement that no longer met the needs of TAA or the airlines.

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How Rates Are Calculated

Step 1 — Build the Cost Center Requirement

O&M Expenses + Debt Service + Capital Program Funding + Coverage and Reserve Requirements

Step 2 — Net Out Revenue Credits

Total Cost Center Requirement − Revenue Credits & Offsets = **Net Airline Requirement**

Step 3 — Divide by the Activity Driver

$$\text{Landing Fee Rate} = \frac{\text{Net Airfield Requirement}}{\text{Signatory Landed Weight (per 1,000 lbs.)}}$$

Terminal rates use the same flow, divided by rentable square feet.

The same three steps apply to every cost center — only the requirement, the credits, and the activity driver change.

Rate Calculation, Settlement and Key Metrics

Airfield and Terminal Rates

- Airfield requirement less revenue credits, divided by certified landed weight
- Signatory vs. Non-Signatory rates and incentive adjustments
- Terminal: rentable vs. usable space, preferential and joint-use areas

Billing and True-Up

- Fixed monthly rents and activity-based charges
- Budget vs. actual true-up, revenue sharing, year-end settlement

Cost Per Enplaned Passenger (CPE)

- Airline payments divided by enplaned passengers
- Definitions of included and excluded components vary by airport
- Interpret trends over time rather than raw benchmarks

Other Indicators

- Debt service coverage, liquidity, days cash on hand
- Airline cost competitiveness

Tucson Airport Authority | Re-Cap

Rate Methodology:	Residual (Airlines assume risk)
AUA:	Negotiated Process
Annual Operating Budget:	Airline Consultation, Financial Council Review, Board Review and Approval
Effective Date:	October 1 every year
Federal Revenue Use Requirements:	All revenues must be used for airport only benefit/re-invested into the airport system
Regulators:	Federal Aviation Administration (airport compliance/safety) Transportation Security Administration (airport compliance/security) Other federal agencies, as required

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Thank You!

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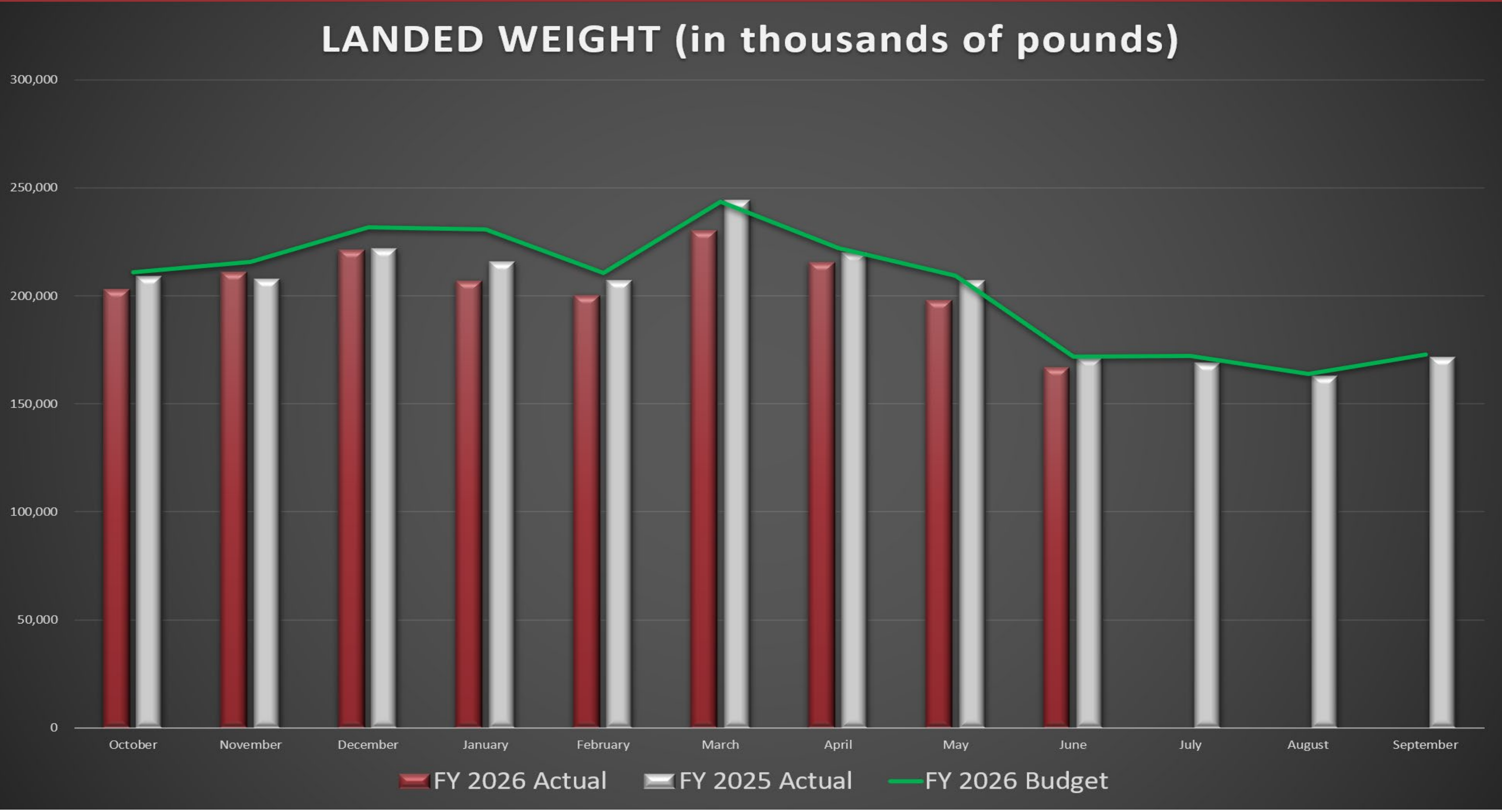
FY26 YTD Financial Results
FY27 TAA Operating & Capital Budget

Board of Directors Meeting

September 2, 2026

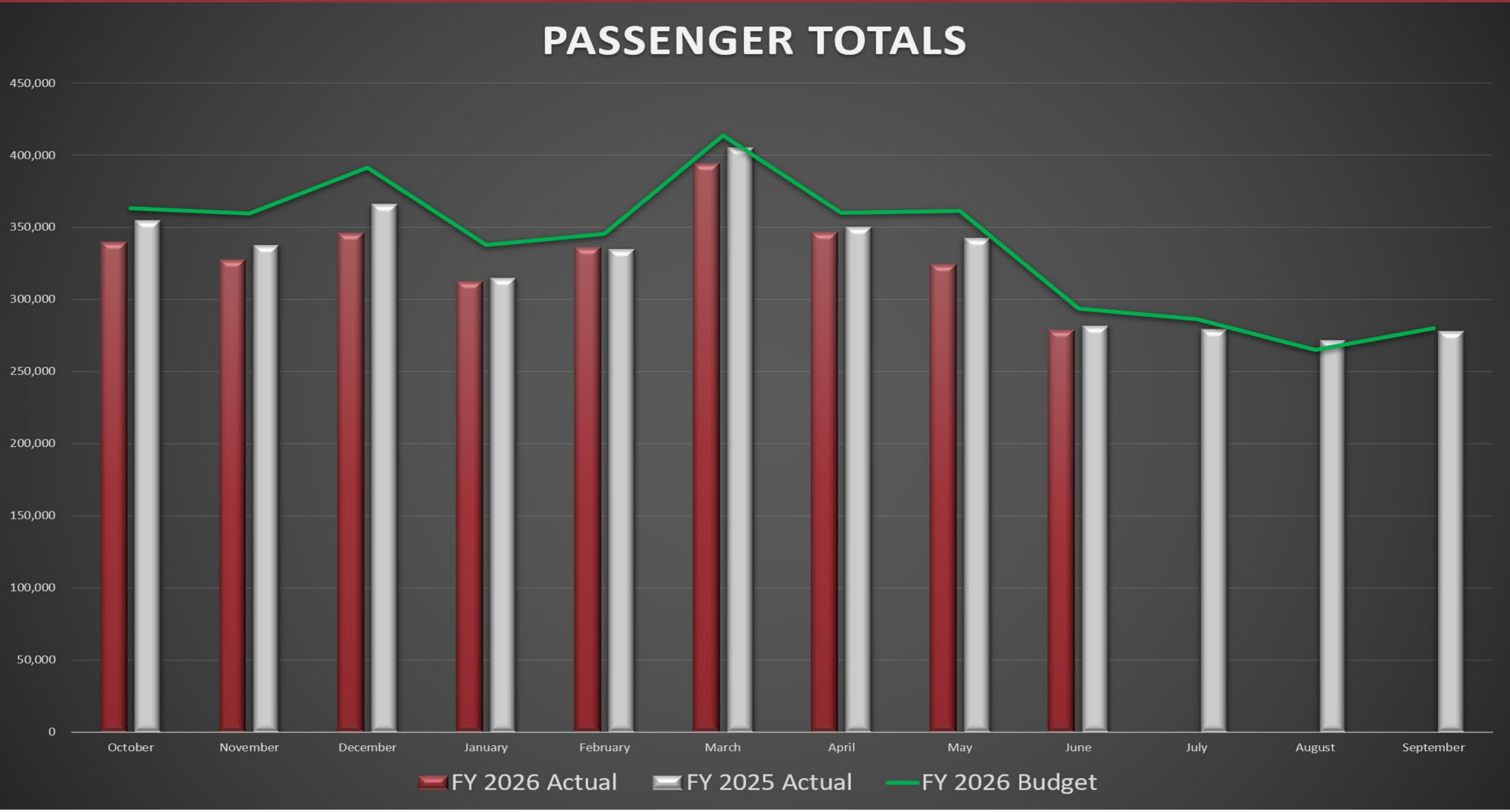
FY26 Financial Results
October 2025 – June 2026

FY26 YTD Operating Statistics



- June 2026 (FY26) Landed Weight is **2.89% lower** than budget, **2.56% lower** than June 2025 (FY25)
- FY26 Landed Weight is **4.81% lower** than budget, **2.66% lower** than FY25

FY26 YTD Operating Statistics



- June 2026 passenger volume is **5.01% lower** than budget, **0.92% lower** than June 2025
- FY26 passenger volume is **6.82% lower** than budget, **2.71% lower** than FY25

FY26 YTD Operating Revenue

Operating Revenues

YTD (Oct-June)

	Actual	Budget	Actual vs. Budget	
Landing fees	$ 6,347,068	$ 5,665,593	$ 681,475	12.0%
Space rentals	12,671,759	12,233,985	$ 437,774	3.6%
Land rent	3,340,448	3,475,087	$ (134,639)	-3.9%
Concession revenue	22,683,867	19,694,409	$ 2,989,458	15.2%
Reimbursed Services	2,181,083	2,577,901	$ (396,817)	-15.4%
Other Operating Revenue	2,905,046	2,601,432	$ 303,614	11.7%
Total operating revenues	$ 50,129,271	$ 46,248,407	$ 3,880,865	8.4%

Financial results for FY26 are unaudited.

FY26 YTD Operating Expenses

Operating Expenses				
YTD	Actual	Budget	Budget vs. Actual	
Personnel expenses	$ 22,908,530	$ 24,107,182	$ 1,198,652	5.0%
Contractual services	7,058,708	8,246,979	$ 1,188,270	14.4%
Materials and supplies	2,738,515	3,672,328	$ 933,813	25.4%
Other operating expenses	1,110,200	1,463,222	$ 353,023	24.1%
Total operating expenses	$ 33,815,952	$ 37,489,711	$ 3,673,759	9.8%

Financial results for FY26 are unaudited.

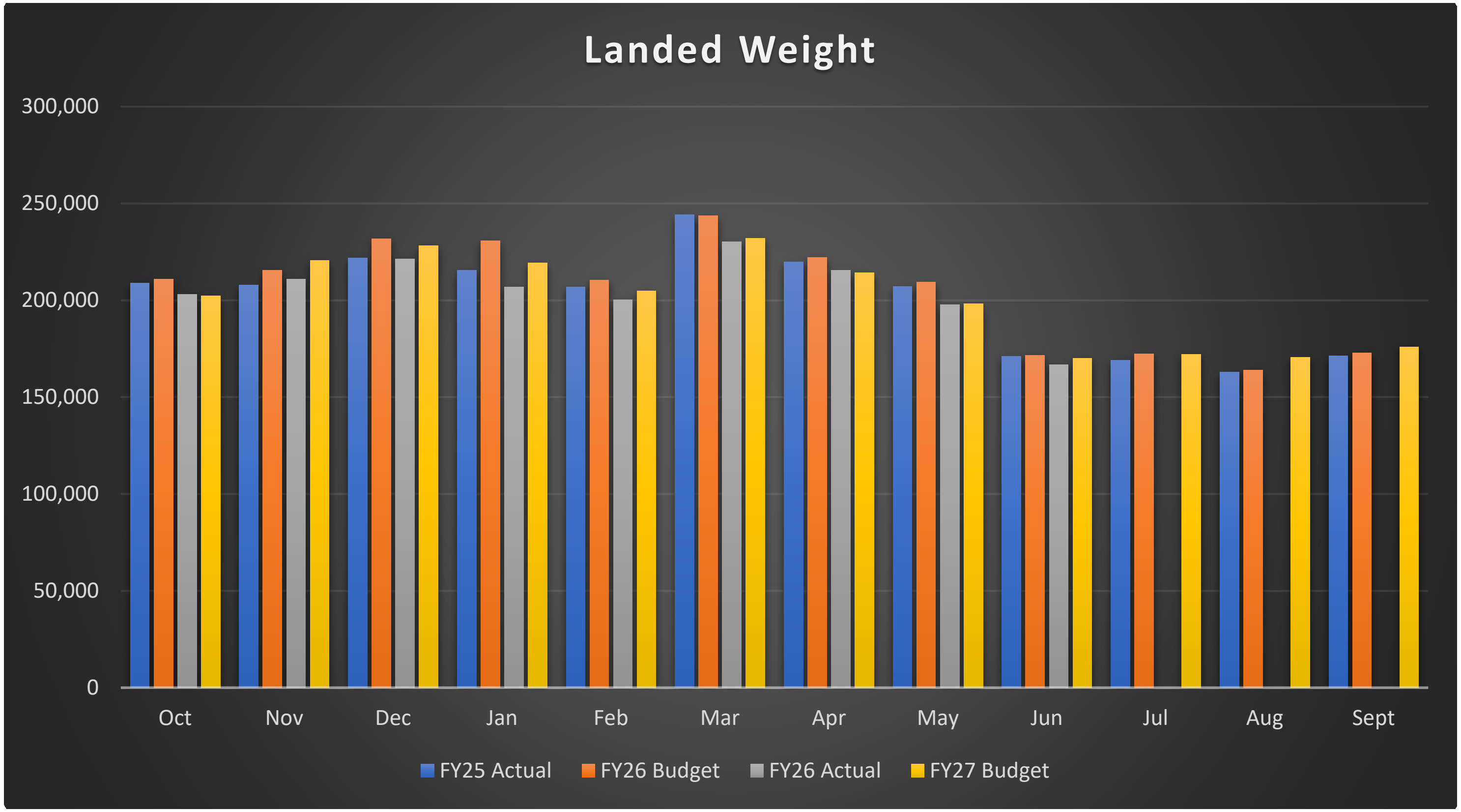
FY26 vs. FY25

		Actual (Oct- June 2026)		Actual Prior Year (Oct- June 2025)	Increase (Decrease)
Operating Revenues	$	50,129,271	$	46,101,783	8.7%
Operating Expenses		33,815,952		31,905,695	6.0%
Operating Income	$	16,313,319	$	14,196,088	

Financial results for FY25 and FY26 are unaudited.

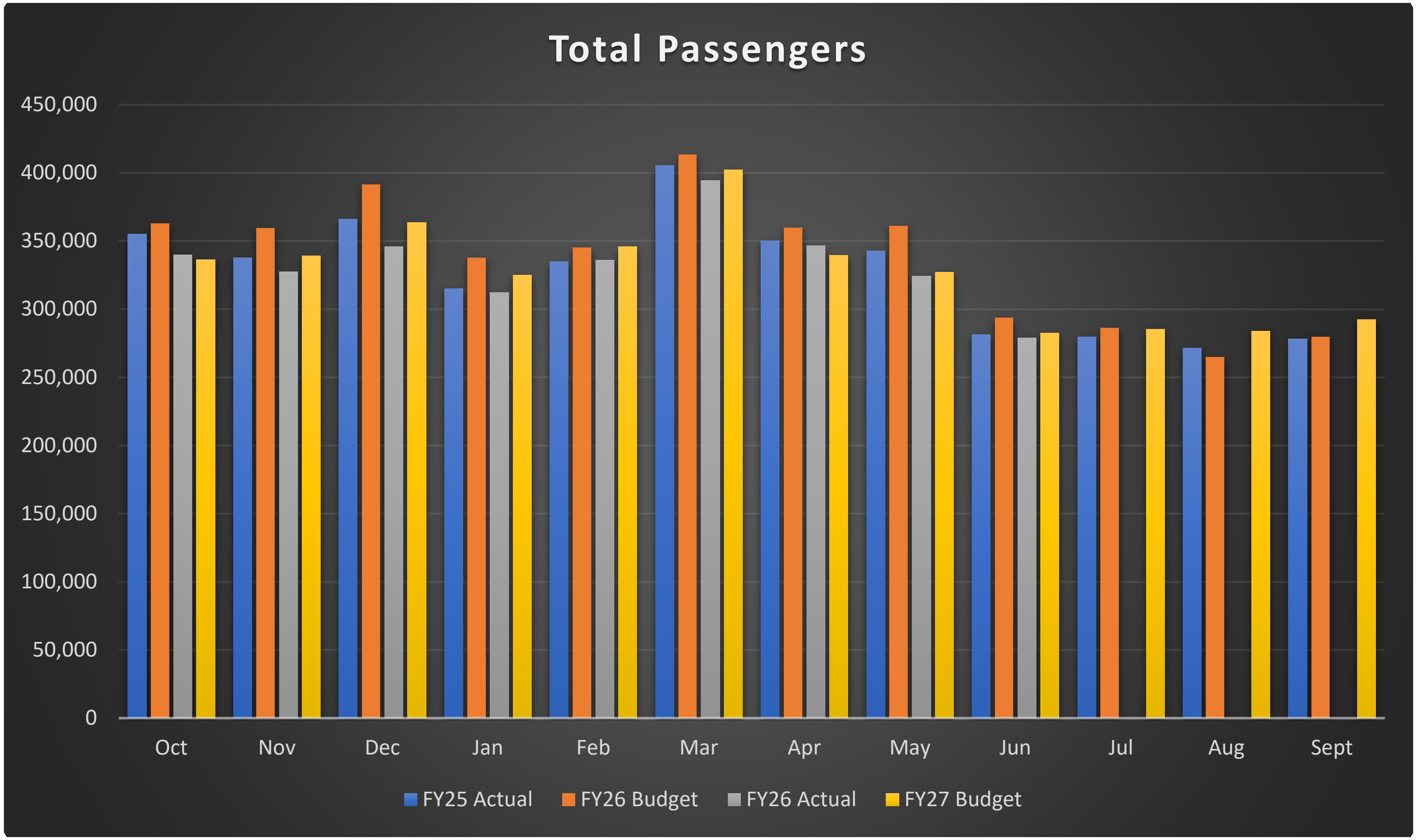
FY27 Budget

FY27 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 June) is 2.7% below the prior-year period

FY27 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 June) is 2.7% below the prior-year period

FY27 Budget By Cost Center

	BUDGET	BUDGET	FY27 BUDGET BY COST CENTER			
OPERATING REVENUES	FY26	FY27	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)

FY27 Budget By Cost Center Cont'd

	BUDGET FY26	BUDGET FY27	FY27 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	$ -	$ -	$ -	$ -	$ -	$ -

FY27 Landing Fee

	BUDGET FY26	BUDGET FY27	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%***

FY27 Terminal Rental Rate

	BUDGET FY26	BUDGET FY27	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%*

FY27 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)

FY27 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

FY27 Budget Snapshot

- Projected Revenues:
  - $68.7M (Revenues derived from fee structure associated with Aeronautical and Non-Aeronautical Sources
    - 75.7% of revenues are generated by airline related activities/sources
      - Cost allocation defined in the AUA
      - Rates determined by allocated costs/included in FY27 Budget
    - 24.3% of revenue are generated from non-airline related activities/sources

- Annual Operating Budget
  - Personnel: $33.9M
  - Other O&M: <u>$18.9M</u>
    - Sub-Total $52.8M
- Capital
  - Major Maintenance: $ 5.2M
  - CIP: <u>$54.1M</u> (Anticipated Grants/PFCs: $51.0M; TAA share: $3.1M)
    - Sub-Total: <u>$59.3M</u>
    - Total: $112.1M

FY27 Budget

Questions?

THANK YOU

Date: September 2, 2026

To: Board of Directors
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 Airline Affairs Committee (AAAC), which include representatives from the signatory airlines, to provide them with an opportunity to review the proposed budget. To that end, the TAA met with the AAAC on July 22, 2026, to review and discuss the FY27 Operating and Capital Budget. After this discussion and an adjustment to split one project over the span of two fiscal years, the Airlines agreed to support the FY27 Operating and Capital Budget. Subsequent to the AAAC meeting and their feedback, the TAA presented the FY27 Operating and Capital Budget to the TAA Financial Council on August 5, 2026; the Financial Council unanimously recommended approval to the Board of Directors. Having received the feedback and no objections from the AAAC and the recommendation from the TAA Financial Council, the TAA now presents the following FY27 Operating and Capital Budget to the TAA Board of Directors for its final 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 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 rate structure. However, actual rates realized in FY26 were governed by the existing FY26 AUA.

Included in this packet are updated summaries of the rates and charges that will become effective on 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%.

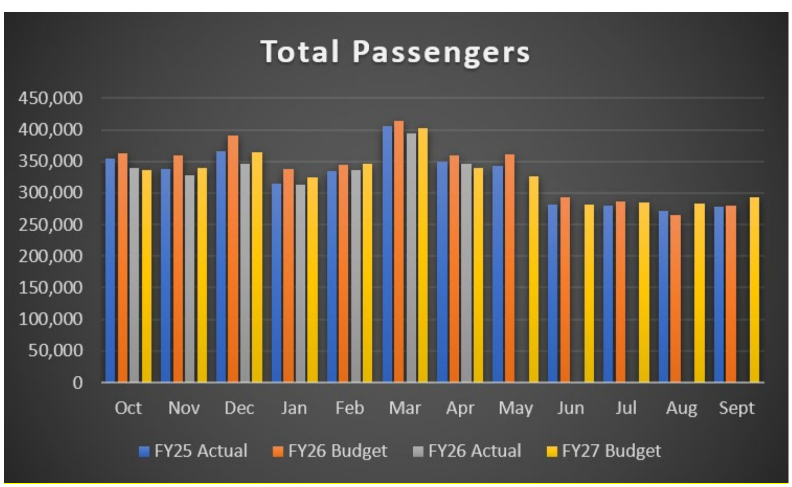
FY27 Budget Volume Assumptions:

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 Transportation Security Administration 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.

Fund Transfers:

All fund transfers are budgeted and executed in accordance with the terms of the 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 transfer of $5.2 million to the Maintenance Reserve fund is planned, 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 (AIP) funding resources in FY27. In the event the FAA provides additional AIP or other 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, which is required by the FAA for future development, and the Terminal Signage Project, a customer service/passenger experience 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 E, the budgeted Cost per Enplanement (CPE) 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:

At the August 5, 2026 Board of Directors Meeting, TAA staff conducted a Study Session to explain the existing Customer Service Charge (CFC) Program and discuss the TAA's approach to a modernized CFC Program. As discussed, 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 programs at TUS: the Tucson Airport Remediation Project (TARP), the Soils Remediation Project (SRP), and the per- and polyfluoroalkyl substances (PFAS) remedial investigation.

The TAA contributes to the remediation efforts with the Environmental Protection Agency (EPA) on TARP as it is a federally designated Super Fund site. TAA is currently 100% financially responsible for ongoing operational costs associated with TARP. For SRP, TAA helps fund remediation activities at TUS under Consent Decrees with the EPA. TAA is one of three responsible parties of SRP, the other two parties being Boeing and General Dynamics. TAA is 80% liable under the SRP Consent Decree, and Boeing and General Dynamics each share a 10% liability. Further, the TAA entered into a settlement agreement with the EPA in 2024 to perform remedial investigation assessments of the presence of PFAS on TAA property. The TAA will likely have ongoing monitoring and remediation obligations related to all three projects and 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 and 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 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 table below provides 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

FY27 Maintenance Reserve Fund Projects | Continued			
Project Number	**Project Name**	**Project Description**	**Project Cost**
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
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

FY27 Maintenance Reserve Fund Projects | Continued			
Project Number	**Project Name**	**Project Description**	**Project Cost**
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
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)
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 FY27.

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**

Final Summary:

As stated at the outset of this Board Memorandum, the FY27 Operating and Capital Budget was reviewed by and discussed with the AAAC (Airlines) on July 22, 2026, and the TAA made one minor adjustment at the Airlines request. This adjustment was reflected in the materials presented to the Financial Council on August 5, 2026; the Financial Council recommended that the TAA Board of Directors approve the FY27 Operating and Capital Budget, as presented, at the Board Meeting on September 2, 2026.

Recommendation:

Adopt Resolution No. 2026-16 to 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

EXHIBIT A – BUDGET BY COST CENTER

	BUDGET	BUDGET	FY27 BUDGET BY COST CENTER			
OPERATING REVENUES	FY26	FY27	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)
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 FY26	BUDGET FY27	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 FY26	BUDGET FY27	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 FY27 for the repayment of the RAC facility.

	BUDGET FY26		BUDGET FY27		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 FY26		BUDGET FY27	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 FY26	BUDGET FY27	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 FY26		BUDGET FY27	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%

EXHIBIT F – MAINTENANCE RESERVE FUND

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

<u>Footnotes:</u>

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 FY27 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**

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE TUCSON AIRPORT AUTHORITY, INC., APPROVING THE TUCSON AIRPORT AUTHORITY OPERATING AND CAPITAL BUDGET, MAJOR MAINTENANCE PROGRAM, CAPITAL OUTLAY PROGRAM, CAPITAL IMPROVEMENT PROGRAM, CUSTOMER FACILITY CHARGE PROGRAM, AND AUTHORIZING ENVIRONMENTAL PROGRAM EXPENDITURES, FOR THE FISCAL YEAR BEGINNING ON OCTOBER 1, 2026, AND ENDING ON SEPTEMBER 30, 2027.

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

1. The Tucson Airport Authority's FY27 Operating and Capital Budget, Major Maintenance Program, Capital Outlay Program, Capital Improvement Program, and the Customer Facility Charge Program, as are set forth in the attached Board memorandum, are hereby approved.

2. The President/CEO (or her designee(s)) is authorized to take all actions necessary to implement the FY27 Operating and Capital Budget, Major Maintenance Program, Capital Outlay Program, Capital Improvement Program and Customer Facility Charge Program, including all environmental expenditures for the fiscal year from available TAA funds that may be legally required or determined necessary associated with TAA environmental obligations under applicable law.

PASSED AND ADOPTED by the Board of Directors of the Tucson Airport Authority, Inc., this 2nd day of September, 2026.

____
Michael S. Hammond, Chair of the Board

ATTEST:

____
Vance Falbaum, Secretary

APPROVED AS TO FORM:

____
Christopher Schmaltz, Executive Vice President and General Counsel

Date: September 2, 2026

To: Board of Directors
From: Kimberly DeLaTorre, Chief People Officer
Re: Total Rewards – Compensation Plan and Holiday Schedule

Background:

Since 2020, TAA has established comprehensive total rewards programs including a market-driven Compensation Plan, health and wellbeing programs, and workplace experience enhancements. In an increasingly competitive talent market, organizations that thoughtfully align their total rewards offerings with market trends and evolving workforce needs are better positioned to strengthen retention, enhance employee experience, and reinforce their workplace of choice brand. Toward that end, the TAA evaluates our programs to remain market competitive and equipped to attract and retain high caliber talent.

To ensure our total rewards portfolio remains competitive, relevant, and aligned with our strategic talent objectives, periodic adjustments are made to the Compensation Plan to maintain pace with the rapidly changing market and ensure attraction and retention of such roles. In addition, consistent and thoughtful maintenance of the Compensation Plan and individual team member compensation since 2020 has enabled the TAA to strategically bring our workforce to the market without overburdening the system. The most recent thorough update of overall structure, bands, and position classifications was completed in FY25; however, each year since 2020, the Compensation Plan has been updated with market changes and approved by the Board.

Total Reward Strategies | FY27 Plan Changes

For FY27, TAA staff reviewed labor market, industry trends, compliance, and internal equity of the current salary ranges overall. This analysis produced plan maintenance adjustments to be considered and adopted by the Board. Included in the Compensation Plan are market changes to certain classifications of employee work groups and grade ranges.

More specifically, recommendations include:

1. A market adjustment to several of the Police Department sworn officer position ranges to keep pace with regional law enforcement agencies and promote greater retention;
2. A market adjustment to the maximum reference point for the pay grades 100-114, and;
3. A market adjustment to the minimum reference point for eight (8) grades (100-102, 107-108, and 111-113).

Total Reward Strategies | Paid Holidays

The recognition of paid holidays is another important component of the Total Rewards strategy. As part of our ongoing market review of Total Rewards practices, TAA staff assessed holiday offerings among local peers and key talent competitors. TAA currently recognizes 11 paid holidays in our Total Reward strategy. The review identified a broad range of company-recognized paid holidays, with organizations offering between 10 and 13 paid holidays annually. The analysis identified an opportunity to enhance TAA's Total Rewards program with paid holidays that align better with competitive market practices through the addition of Christmas Eve Day as a TAA-recognized holiday. In addition, the holiday calendar would be adjusted to align with common market practice by recognizing Presidents' Day on the third Monday in February as a replacement to a current March holiday (Cesar Chavez Day) observance.

This enhancement aligns with our market-driven Total Rewards strategy, supports employee well-being and work-life balance, and strengthens our ability to remain competitive in the talent market. If approved by the Board, TAA would offer the following 12 paid holidays annually.

	Recognized Holiday	Date
1.	New Year's Day	January 1
2.	Martin Luther King Day	3rd Monday of January
3.	Presidents' Day	3rd Monday of February
4.	Memorial Day	4th Monday of May
5.	Juneteenth	June 17
6.	Independence Day	July 4
7.	Labor Day	1st Monday of September
8.	Veterans Day	November 11
9.	Thanksgiving Day	4th Thursday of November
10.	Day After Thanksgiving Day	4th Friday of November
11.	Christmas Eve Day	December 24
12.	Christmas Day	December 25

Strategic Plan | Analysis:

Since the development of Strategic Plan 1.0 in 2020, the TAA has focused on initiatives to support the airport system during challenging, uncertain times to build a foundation for the future. The attraction, development, and retention of talent is inextricably linked to success throughout the Strategic Plan. In acknowledgement of this linkage, the TAA has an unwavering commitment to Accelerate Performance in pursuit of being recognized as a workplace of choice that invests in a culture that drives engagement and rewards excellence. This commitment has been reaffirmed in every iteration of the TAA strategic plan.

Strategic Plan 3.0, approved by the Board in September 2024, renewed this mandate with updated goals, one of which is "Attract and retain top-tier talent through investments in compensation and benefits." An essential ingredient in TAA's pursuit of being recognized as a workplace of choice for the workforce of the future is our ability to provide competitive total rewards packages.

The employment market continues to experience significant shifts, and Competitive Total Rewards continue to be a critical aspect of the TAA's ability to attract and retain top talent to fulfill key aspects of the Strategic Plan and maintain our operational requirements. Therefore, ensuring our pay structure remains competitive is paramount to our continued success.

Cost Analysis:

These targeted total rewards enhancements are cost-effective investments with high impact on TAA's ability to attract, retain, and reward top talent.

Market Adjustments

1. The Police market adjustment will cost $99,163, which accounts for adjustments to 28 team members in critical positions with limited qualified talent availability.
2. The proposed salary range reference point adjustments (100–114) are structural in nature and will result in a total incremental cost of only $3,078, in addition to the budgeted cost-of-living adjustments (COLA) reflected in the personnel budget. The costs associated with this change are limited to holiday pay for non-exempt employees whose roles and schedules require coverage during the holiday period, anticipated to be approximately $50,000.

The FY27 personnel budget of $33.9M, which is included in the TAA's annual Operating and Capital Budget packet before the Board (of a $52.8M budget), includes the full impact of implementing these adjustments to the Compensation Plan.

The FY27 annual Operating and Capital Budget was discussed with the Airline and Airport Affairs Committee, a group made up of airline representatives and TAA leadership, was held on July 22, 2026. The Airlines expressed no objection to the proposed FY27 Operating and Capital Budget, including its personnel components. In addition, on August 5, 2026, the Financial Council met to review and discuss the TAA's proposed FY27 Budget. The Financial Council unanimously agreed to recommend the Board approve the TAA's FY27 Operating and Capital Budget, as presented.

Recommendation:

TAA management recommends the Board of Directors adopt Resolution No. 2026-17, approving the TAA Compensation Plan dated October 1, 2026.

Attachments:
Exhibit 1 | 2026 – 2027 TAA Compensation Plan
Exhibit 2 | Market Data Summary - Holidays

Exhibit 1

TAA 2026 – 2027 Compensation Plan

Tucson Airport Authority Compensation Plan

October 1, 2026

FOREWORD

Since the inception of the Tucson Airport Authority (TAA) in 1948, it has provided Tucsonans and visitors to Southern Arizona with excellence in aviation services and facilities, hallmarked by unparalleled safety, security and customer service at Tucson International Airport (TUS) and Ryan Airfield (RYN). To deliver on our mission, vision and guiding principles requires we attract and retain a diverse and talented work force.

The TAA compensation and reward programs are designed to be externally competitive, transparent, and internally equitable, to enhance the organization's ability to attract, retain, and motivate high-quality, enthusiastic staff who contribute to TAA's continued success. Further, through well designed pay structures and programs, TAA aims to motivate team members to meet and exceed the requirements of their jobs, which includes obtaining and maintaining proper certifications, licensure, and credentials, and maintaining expected performance, behaviors, and conduct. TAA promotes team members' professional growth by having a pay structure where progress within pay ranges is based on a consistent and systematic process of pay increases, subject to availability of financial resources and executive approval.

Through this Compensation Plan, your TAA team plans to deliver results, work smart, remain curious, and play for the team!

Sincerely,

Danette M. Bewley, A.A.E.
President/Chief Executive Officer
Tucson Airport Authority

Table of Contents

Mission, Vision and Guiding Principles

Our Mission	**Provide a sustainable airport system and constantly pursue initiatives that promote and grow business opportunities.**
Our Vision	**Landing Prosperity in Southern Arizona.**
Our Guiding Principles	**Our guiding principles shape our culture; who we are and who we want to be.** The members of the Executive Team are ambassadors of our culture, and will **engage everyone in these expectations.**
	We deliver results. ✈ We manage an airport system where safety, security and customer service are our top priorities. ✈ We are accountable. We do what we say we will do. ✈ We clearly communicate expectations and listen to make sure others understand and agree with deadlines. ✈ We work collaboratively for the greater good of travelers, customers, employees, business and community partners.
	We work smart. ✈ We are good at what we do, and we learn from each other. ✈ We are critical thinkers who anticipate, prioritize, and act with urgency. ✈ We move quickly with what works and commit to continuous improvement. ✈ We not only identify problems, we offer solutions.
	We are curious. ✈ We embrace change, are unafraid to question our assumptions, and use mistakes for learning. ✈ We value feedback, growth, agility and self-improvement. ✈ We anticipate future needs and possibilities. ✈ We see opportunities others may miss.
	We play for the team. ✈ Because we care, we contribute to the quality of the lives of our employees and the people we serve. ✈ We are transparent and treat everyone with respect and dignity. ✈ We are connected. We make sure everyone understands their unique contribution to our overall success. ✈ We encourage leadership from everyone.

Compensation Plan

Authority and Administration of the Compensation Plan	The TAA Board of Directors has adopted the TAA Compensation Plan and has delegated its administration of the Compensation Plan to the President/CEO. The President/CEO has the authority to periodically review and make market adjustments to the pay ranges to remain current and aligned with the relevant labor market. Implementation of pay structure changes are subject to the availability of financial resources and must be included in the respective fiscal year budget as authorized by the TAA Board of Directors.
Compensation Philosophy	The TAA compensation and reward programs are designed to be externally competitive, transparent, and internally equitable, to enhance the organization's ability to attract, retain, and motivate high-quality, enthusiastic staff who contribute to TAA's mission, vision, guiding principles and initiatives to achieve success. Further, through well designed pay structures and programs, TAA aims to motivate team members to meet and exceed the requirements of their jobs, which includes obtaining and maintaining proper certifications, licensure, credentials, and maintaining expected performance, behaviors, and conduct. TAA promotes team members' professional growth through a pay structure where progress within pay ranges is based on recognizing performance accompanied by a consistent and systematic process of pay increases, subject to availability of financial resources and executive approval. TAA bases pay grades on external competitive market analysis and internal equity. TAA sets its compensation philosophy to meet the relevant labor market. Where possible and appropriate, TAA targets the 50th percentile of the market for the midpoint of the pay grades for similar jobs while remaining flexible for those classifications which require either higher or lower percentiles based upon market data and internal equity.
Market Analysis	To remain competitive in the market and attract and retain the highest caliber of talent, the TAA will conduct a comprehensive review of the pay structure and pay bands, using industry and market data, when appropriate and subject to availability of financial resources. The market analysis will compare TAA classifications to similar classifications in the external market by matching job responsibilities and requirements with other similar organizations. Comparative data is evaluated at the local, statewide, regional, or national level, based on the breadth of the recruiting area needed to acquire appropriate candidates for the position. Data collected from other geographic areas are adjusted to align with the cost of living and cost of wages in the relevant labor market. Not all classifications are easily matched with the external market. For these classes, an internal equity analysis, or job evaluation, will be conducted to define an appropriate pay grade. Classifications are compared with other TAA classifications that have similar licensing, knowledge, skills, responsibilities, and training required to perform the job.

Pay Structure	The pay structure represents an open-range concept, where each job is assigned to a pay grade that best reflects the relevant labor market range for similar jobs and has three reference points - Minimum, Midpoint, and Maximum - for the range (Appendix A). The pay rate of a team member with little or no experience for their position is typically assigned close to the minimum of the pay grade of the assigned job classification. Whereas, the pay rate of a team member who is experienced for their position and acts at the level of full performance may be assigned at the midpoint of the pay grade of the assigned job classification or higher with the approval of the President/CEO. Team member pay rates are limited to the maximum of the pay grade assigned to their position. The pay structure is administered by the President/CEO, who will periodically review and adjust the pay ranges, as appropriate, to remain current and aligned with the relevant labor market. Adjustments are subject to the availability of financial resources and must be included in the respective fiscal year budget as authorized by the TAA Board of Directors.

Authorization

Michael Hammond **Chair, Board of Directors** **Tucson Airport Authority**	**Danette Bewley, A.A.E.** **President/CEO** **Tucson Airport Authority**
Date	**Date**

Appendix A

Tucson Airport Authority | Pay Structure and Grade Parameters					
Position Title	**Grade**	**Tier**	**Min**	**Mid**	**Max**
President/CEO	120	4	Negotiated		
Executive Vice President/Chief Operating Officer (COO)	118	4	234,480	293,100	351,720
Executive Vice President/General Counsel		4			
Vice President/Chief Financial Officer (CFO)	117	4	169,680	212,100	254,520
Vice President/Chief Information Officer (CIO)		4			
Vice President/Chief Revenue Officer (CRO)		4			
Vice President/Operations		4			
Vice President of Airport Development/Chief Development Officer (CDO)		4			
Chief Communications Officer	116	4	156,160	195,200	234,240
Chief People Officer		4			
No positions assigned to grade	115	4	139,680	174,600	209,520
Deputy Chief Information Officer	114	4	127,920	161,814	195,708
Deputy Chief of Airfield Development		4			
Deputy Chief of CERCLA/NEPA Programs		4			
Deputy Chief of Finance		4			
Deputy Chief of Operations		4			
Deputy Chief of Program Delivery		4			
Deputy Chief Revenue Officer		4			
Deputy General Counsel		4			
Director of Governance and Cyber Security	113	3	107,016	133,516	160,015
Director of Grants and Compliance		3			
Director of Infrastructure and Special Systems		3			
Director of Planning and Environmental Services		3			
Director of Project Management Office		3			
Associate General Counsel	112	3	97,345	125,610	153,274
Director of Corporate Communications		3			
Director of Procurement		3			
Project Manager III		3			

Position Title	Grade	Tier	Min	Mid	Max
Deputy Director of Airside Operations	111	3	81,026	103,172	125,317
IT - Cybersecurity Analyst		3			
IT Infrastructure System Engineer		3			
IT Network Systems Engineer		3			
IT - Systems Administrator - Cloud Engineer		3			
Manager of Employee Services		3			
Manager of Financial Planning and Analysis		3			
Manager of Planning		3			
Project Manager II		3			
Accounting Manager	110	2	71,195	91,685	112,174
Airport Duty Manager		2			
Airport Emergency Manager		2			
Compliance Audit Manager		2			
IT - Application Design/Systems Administrator		2			
Manager of Airport Communications		2			
Manager of Airport Maintenance		2			
Manager Airport Security/Airport Security Coordinator		2			
Manager of Concessions and Ground Transportation		2			
Manager of Office, Records and Warehouse		2			
Manager of Properties		2			
People Business Partner		2			
Project Manager I		2			
Safety Program Manager		2			
Accounts Receivable Supervisor	109	2	64,139	82,603	101,067
Assistant Project Manager		2			
Electrical Supervisor		2			
Executive Assistant to President/CEO		2			
Procurement Supervisor		2			
Property Administrator		2			
Senior Marketing Strategist		2			
Senior Supervisor - Airfield and Landscape Maintenance		2			
TAA Clerk		2			

Position Title	Grade	Tier	Min	Mid	Max
Airfield Maintenance Supervisor	108	2	59,783	75,818	91,853
Airport Communications Supervisor		2			
Airport Security Office Supervisor		2			
Airside Operations Officer		2			
Construction Services Supervisor		2			
Facilities Maintenance Supervisor		2			
Fleet Supervisor		2			
Grants and Compliance Accountant		2			
Insurance and Liability Administrator		2			
IT Customer Support Technician		2			
IT Systems Technician		2			
Records and Warehouse Assistant Manager		2			
Payroll Administrator		2			
Procurement Administrator		2			
Staff Accountant		2			
Airport and Community Engagement Specialist	107	2	55,619	70,631	85,642
Electrician		2			
Environmental Specialist		2			
Fleet Mechanic		2			
HVAC Technician		2			
Police Department Accreditation Training and Compliance Coordinator		2			
Senior Employment Specialist		2			
Airfield Maintenance Specialist	106	2	48,808	63,352	77,896
CAD/Mapping Specialist		2			
Custodial Supervisor		2			
Energy Management Control Systems Technician		2			
Facilities Maintenance Specialist		2			
GIS Specialist		2			
Legal Secretary		2			
Police Administrative Technician		2			
Public Service Officer Supervisor		2			

Position Title	Grade	Tier	Min	Mid	Max
Airport Communications Specialist	105	2	45,990	57,981	69,971
Procurement Services Specialist		1			
Access Control Specialist	104	1	42,981	54,188	65,971
Accounts Payable Specialist		1			
Accounts Receivable Specialist		1			
Business Support Specialist		1			
Ground Transportation and Concessions Coordinator		1			
Maintenance Support Specialist		1			
Public Service Officer		1			
Warehouse Lead	103	1	40,934	51,605	62,275
Landscaping Specialist	102	1	39,456	49,389	59,322
Warehouse Specialist	101	1	38,292	47,393	56,493
Custodian	100	1	37,440	45,615	53,789

Police	Grade	Tier	Min	Mid	Max
Chief of Police	Police	3	127,920	163,738	199,555
Police Captain		3	107,016	133,516	160,015
Police Lieutenant		3	100,336	118,468	136,599
Police Sergeant		2	93,656	108,792	123,927
Police Corporal		2	81,952	93,880	105,808
Police Corporal (Canine Handler) Base +8% Assignment		2			
Police Officer		2	70,533	81,942	93,350
Police Officer (Detective) Base +8% Assignment		2			
Police Officer (Canine Handler) Base +8% Assignment		2			

Fire	Grade	Tier	Min	Mid	Max
Fire Chief	Fire	3	100,048	136,997	173,946
Deputy Fire Chief		3	91,195	124,117	157,040
Fire Captain		2	83,882	107,726	131,569
Fire Lieutenant		2	70,866	91,082	111,298
Firefighter		2	62,400	79,456	96,512

Part Time Intermittent	Grade	Tier	Min	Mid	Max
Project Officers (Set Rate Per Hour)	PO	1	17		

Appendix B

TAA Team Member Vacation Allotment (Except 24-hour Fire):

Tier Level	Years of Service or Role Experience Required*	Annual Vacation Days
Tier 1	0 - 5 years (New Hire)	12 days (3.70hrs / pay period)
Tier 2	5 - 10 years	17 days (5.24hrs / pay period)
Tier 3	10 - 15 years	22 days (6.77hrs / pay period)
Tier 4	15+ years	25 days (7.70hrs / pay period)

**Leadership may choose to place a role at a higher tier due to difficulty in recruiting new employees, placement will affect both new and existing employees*

24-Hour TAA Team Member Vacation Allotment:

Tier Level	Years of Service or Role Experience Required	Annual Vacation Days
Tier 1	0 - 5 years (New Hire)	5.55hrs / pay period
Tier 2	5 - 10 years	7.86hrs / pay period
Tier 3	10 - 15 years	10.16hrs / pay period
Tier 4	15+ years	11.55hrs / pay period

Appendix C

Shift Differential:

Shift 1	Shift 2	Shift 3
Base Hourly Rate	Base Hourly Rate + $1.00	Base Hourly Rate + $2.00

Specialized Assignment Pay Structure:

Assignment	
Police - Detective	Base +8%
Police - Canine Handler	Base +8%
Police - Field Training Officer	Base +5% (for training hours only)
Custodial - Lead	$2.00/hour

Exhibit 2

Market Data Summary - Holidays

Market Data Summary - Holidays

	TAA (Current)	City of Tucson	Pima County	U of A	PCC	Town of Oro Valley	Town of Marana	State of Arizona	Federal
New Year's Day	X	X	X	X	X	X	X	X	X
Martin Luther King Jr. Day/Civil Rights Day	X	X	X	X	X	X	X	X	X
President's Day/Washington's Birthday		X	X			X	X	X	X
Farmworkers Day/ Dolores Huerta Day	X	X			X				
Memorial Day	X	X	X	X	X	X	X	X	X
Juneteenth	X	X		X	X				X
Independence Day	X	X	X	X	X	X	X	X	X
Labor Day	X	X	X	X	X	X	X	X	X
Columbus Day								X	X
Veterans Day	X	X	X	X	X	X	X	X	X
Thanksgiving Day	X	X	X	X	X	X	X	X	X
Day After Thanksgiving	X		X	X	X	X	X		
Christmas Eve				X	X	X	X		
Christmas Day	X	X	X	X	X	X	X	X	X
New Year's Eve Day					X	X	X		
Floating Holiday		X				X			
	11	12	10	11	13	13	12	10	11
Rodeo Break (2 days)					X				
Winter Recess				X	X				

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE TUCSON AIRPORT AUTHORITY, INC., APPROVING THE TUCSON AIRPORT AUTHORITY (TAA) COMPENSATION PLAN DATED OCTOBER 1, 2026.

WHEREAS the Tucson Airport Authority (TAA) adopted its first compensation plan on August 26, 2020 and updated the plan on August 23, 2021 and again on October 1, 2023; and

WHEREAS periodic updates to TAA's compensation plan are necessary to respond to changing economic and market conditions to ensure that the organization retains its ability to attract, retain, and motivate high-quality employees who are dedicated to the organization's mission, vision, and continued success;

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

The Tucson Airport Authority Compensation Plan, attached to this Resolution as Exhibit A and incorporated by reference herein, is approved with an effective date of October 1, 2026. Furthermore, the Chair of the Board and the President/CEO (or her designee[s]) are hereby authorized to execute the plan document in support of TAA's operational needs.

PASSED AND ADOPTED by the Board of Directors of the Tucson Airport Authority, Inc., this 2nd day of September, 2026.

____
Michael S. Hammond, Chair of the Board

ATTEST:

____
Vance Falbaum, Secretary

APPROVED AS TO FORM:

____
Christopher Schmaltz, Vice President and General Counsel

EXHIBIT A

TUCSON AIRPORT AUTHORITY

COMPENSATION PLAN EFFECTIVE OCTOBER 1, 2026

Date: September 2, 2026

To: Board of Directors
From: John Voorhees, Vice President/Chief Revenue Officer
Re: Project Jupiter Key Business Terms

Background:
On June 18, 2026, TAA and Project Jupiter (Jupiter Power, LLC) agreed to terms for a ground lease of 60 acres of land located in Sonora East (see Exhibit A). Project Jupiter will construct a battery energy storage system (BESS) and other ancillary improvements.

Project Jupiter is currently conducting due diligence on the site, including pursuing an electrical interconnection with Tucson Electric Power (TEP). This interconnection process requires successful participation in TEP's request for proposal (RFP) process. If Project Jupiter is not selected for an interconnection this year, the company intends to resubmit in subsequent years. TAA staff have tentatively agreed to a five-year feasibility option period to allow Project Jupiter to secure the required interconnection and complete its due diligence.

Strategic Plan | Analysis:
This lease supports TAA's Strategic Initiative to Expand Prosperity by promoting business activity at TUS and generating additional revenue that contributes to the airport system's long-term economic stability. The project also aligns with the City of Tucson's energy resilience goals while providing direct, non-aeronautical revenue to the airport system.

Cost Analysis:
The ground lease will have an initial 20-year term. TAA has also offered Project Jupiter four five-year extension options, exercised at TAA's discretion. Base rent will be $0.10 per square foot and will be adjusted every year at 3%. Minimum annual rent revenue will be $261,360.

The site is greenfield and currently lacks road infrastructure. If future development requires TAA to construct a road, Common Area Maintenance and Pavement Preservation fees will be assessed through an amendment to the lease.

Recommendation:
TAA staff recommends the Board adopt Resolution No. 2026-18 authorizing the President/CEO or her designee(s) to execute a new ground lease with Jupiter Power, LLC, subject to the attached key business terms.

Attachments:
1. Exhibit A: Key Business Terms

EXHIBIT A: Key Business Terms

Docusign Envelope ID: F402A10F-76A3-8CDC-82E9-843518E75E9B

KEY BUSINESS TERMS – PROJECT JUPITER

Date: **June 17, 2026**

Landlord: Tucson Airport Authority, Inc., an Arizona nonprofit corporation ("TAA")

Prospect: **Jupiter Power LLC, or a subsidiary thereof ("Tenant")**

Prospect Point of Contact: Brandon Hall

Premises	Sixty (60) acres of land in Sonora East as depicted in Exhibit A
Project Description	Construct an Electrical Storage System ("ESS") (as depicted in Exhibit A). Interconnect with the Tucson Electric Power ("TEP") grid at or near the Sonoran Substation. Execute ground lease for the subject parcel.
Lease Effective Date	Upon execution of the lease option.
Feasibility Option Period	Tenant will have up to five (5) one (1) year options to execute due diligence for the project. Tenant may not construct any part of the project during the option periods.
Feasibility Option Fees	Payable by Tenant to TAA in lump sum at the beginning of each option period. Year 1 - $40,000; Year 2 - $50,000; Year 3 - $60,000; Year 4 - $80,000 Year 5 - $100,000
Construction Period	Following the Feasibility Option Period, Tenant shall have up to one (1) year to perform all activities necessary to construct the initial improvements.
Construction Period Fee	Payable by Tenant to TAA in lump sum at the beginning of the Construction Period. Year 1 - $110,000
Operations Date	The earlier to occur of (i) the date Tenant begins regularly selling electricity (other than Test Energy, as defined below) to a third party power purchaser, off-taker, merchant buyer, spot market buyer, or other third party purchaser from Project Facilities located in the Project (such date being the "**Operations Date**"), or (ii) the expiration of the Construction Period.
Lease Term	Effective upon Operation Date, Tenant shall have an initial lease term of twenty (20) years with four (4) five (5) year extensions at TAA's discretion.
Base Rent & Rate Adjustments	$.10 PSFPY; annual rent of $261,360 or $21,780 per month. Effective upon Operations Date, Base Rent rate ($.10 PSFPY) will escalate 3% annually.

7250 S Tucson Blvd, Suite 300, Tucson, AZ 85756 Tel: 520-573-8100 www.flytucson.com

TUCSON AIRPORT AUTHORITY
TUCSON INTERNATIONAL AIRPORT • RYAN AIRFIELD

KEY BUSINESS TERMS – PROJECT JUPITER

Common Area Maintenance (CAM)	TAA reserves the right to assess a common area maintenance fee in the future.
Pavement Reserve	TAA reserves the right to assess a common area maintenance fee in the future.
Lease Security	Tenant will be responsible, at its sole cost, for providing a lease security of $75,000 to TAA, in a form reasonably acceptable to TAA.
Removal Surety	Tenant will provide removal security to cover Tenant's obligation to remove its project facilities from the Premises.
Taxes	The Tenant will be responsible for paying all applicable taxes regarding the construction project and other applicable taxes at no cost to TAA.
Site Development	• TAA agrees that an ESS and necessary and related equipment to an ESS are an allowed use of the property provided Tenant shall secure TIRP approval and comply with all TAA and other applicable regulations for all modifications to the Premises. • If Tenant intends to make modifications to the Premises, approval of these modifications is subject to the TAA Tenant Improvement Review Panel (TIRP). No improvements or modifications will be completed prior to a written notice to proceed from the TIRP; however, Parties agree that time is of the essence to allow for construction of Tenant's modifications. TAA's written notice to proceed shall be issued in a timely manner after Tenant's modifications have been reviewed and approved by the TIRP and Tenant is in receipt of all other non-ministerial permits. • Tenant will develop the ESS at Tenant's cost and expense. • Tenant will construct access road(s) to the facility at Tenant's cost and expense. • Tenant will comply with all municipal permitting requirements at Tenant's cost and expense. • Tenant will provide utilities to the site at Tenant's cost and expense.
TAA Responsibilities	TAA will provide survey and legal description of site as an Exhibit to the lease document at its cost and expense.

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KEY BUSINESS TERMS – PROJECT JUPITER

Tenant Responsibilities	Tenant will construct an access road on the south side of the subject parcel. If Tenant is not awarded the ESS contract by TEP, these terms shall be null and void. Parties may renegotiate different terms. Tenant agrees to make available and transfer to TAA upon request any final form, as opposed to draft, site related reports and documentation Tenant's causes to be performed with respect to the Premises through its own resources or by 3rd parties, including, site surveys, descriptions, topographies, environmental testing, and other related data. Tenant shall provide such reports and documentation without representation or warranty of any kind and TAA agrees to receive them on an "as-is" basis. Tenant is responsible for all applicable broker fees.
Maintenance	Tenant shall, at no expense to TAA, improve, maintain, and repair the Premises, and keep the same in a neat, clean, and safe condition and in compliance with all applicable laws, rules, regulations and orders.
Utilities	Tenant shall pay for all utility services supplied to the Premises, including, but not limited to, electricity, gas, water, sewer, and data.
Sample Lease	The attached sample is for informational purposes only (see Exhibit B). Actual lease terms offered by TAA may have material differences at TAA's discretion.
TAA Approval of Terms	Lease terms are subject to approval of TAA's Board of Directors.

This proposal represents an expression of interest in pursuing acceptable business terms for which Landlord and Tenant can mutually execute a lease document for the Premises. <u>No legal obligation or liability shall arise between the parties until the execution of a standard Lease agreement that is satisfactory to each party and its counsel</u>. Unless agreed and signed by Tenant, this proposal shall expire as of 5:00 p.m. local time, July 15, 2026.

Agreed and Accepted:

DocuSigned by:
7595A45BCC8DA6E...

6/29/2026

Authorized Signatory Andrew Bowman   Date

President

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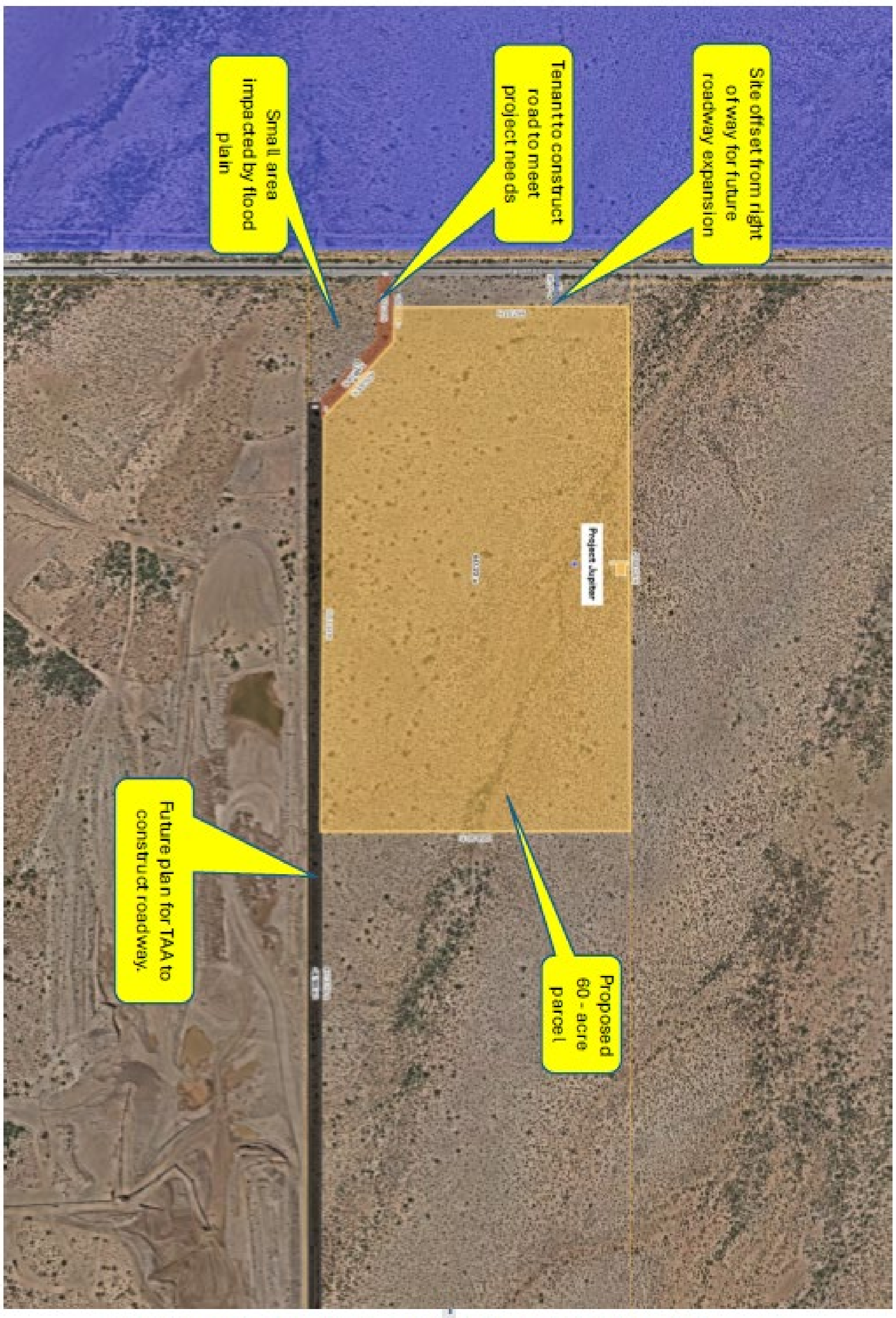
KEY BUSINESS TERMS – PROJECT JUPITER

EXHIBIT "A": PREMISES



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TUS
Los Reales Road
Alvernon Way
Swan Road
JUPITER
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A RESOLUTION OF THE BOARD OF DIRECTORS OF THE TUCSON AIRPORT AUTHORITY, INC., DELEGATING AUTHORITY TO THE PRESIDENT/CEO OR HER DESIGNEE(S) TO EXECUTE A NEW GROUND LEASE WITH JUPITER POWER, LLC.

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

The President/CEO or her designee(s) is authorized to execute a ground lease with Jupiter Power, LLC, subject to material consistency with the key business terms identified in Exhibit A.

PASSED AND ADOPTED by the Board of Directors of the Tucson Airport Authority, Inc., this 2nd day of September, 2026.

Michael S. Hammond
Chair of the Board

ATTEST:

Vance Falbaum, Secretary

APPROVED AS TO FORM:

Christopher Schmaltz, Executive Vice President and General Counsel

EXHIBIT A

Key Business Terms

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KEY BUSINESS TERMS – PROJECT JUPITER

Date:	**June 17, 2026**
Landlord:	Tucson Airport Authority, Inc., an Arizona nonprofit corporation ("TAA")
Prospect:	**Jupiter Power LLC**, or a subsidiary thereof (**"Tenant"**)
Prospect Point of Contact:	Brandon Hall

Premises	Sixty (60) acres of land in Sonora East as depicted in Exhibit A
Project Description	Construct an Electrical Storage System ("ESS") (as depicted in Exhibit A). Interconnect with the Tucson Electric Power ("TEP") grid at or near the Sonoran Substation. Execute ground lease for the subject parcel.
Lease Effective Date	Upon execution of the lease option.
Feasibility Option Period	Tenant will have up to five (5) one (1) year options to execute due diligence for the project. Tenant may not construct any part of the project during the option periods.
Feasibility Option Fees	Payable by Tenant to TAA in lump sum at the beginning of each option period. Year 1 - $40,000; Year 2 - $50,000; Year 3 - $60,000; Year 4 - $80,000 Year 5 - $100,000
Construction Period	Following the Feasibility Option Period, Tenant shall have up to one (1) year to perform all activities necessary to construct the initial improvements.
Construction Period Fee	Payable by Tenant to TAA in lump sum at the beginning of the Construction Period. Year 1 - $110,000
Operations Date	The earlier to occur of (i) the date Tenant begins regularly selling electricity (other than Test Energy, as defined below) to a third party power purchaser, off-taker, merchant buyer, spot market buyer, or other third party purchaser from Project Facilities located in the Project (such date being the **"Operations Date"**), or (ii) the expiration of the Construction Period.
Lease Term	Effective upon Operation Date, Tenant shall have an initial lease term of twenty (20) years with four (4) five (5) year extensions at TAA's discretion.
Base Rent & Rate Adjustments	$.10 PSFPY; annual rent of $261,360 or $21,780 per month. Effective upon Operations Date, Base Rent rate ($.10 PSFPY) will escalate 3% annually.

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KEY BUSINESS TERMS – PROJECT JUPITER

Common Area Maintenance (CAM)	TAA reserves the right to assess a common area maintenance fee in the future.
Pavement Reserve	TAA reserves the right to assess a common area maintenance fee in the future.
Lease Security	Tenant will be responsible, at its sole cost, for providing a lease security of $75,000 to TAA, in a form reasonably acceptable to TAA.
Removal Surety	Tenant will provide removal security to cover Tenant's obligation to remove its project facilities from the Premises.
Taxes	The Tenant will be responsible for paying all applicable taxes regarding the construction project and other applicable taxes at no cost to TAA.
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KEY BUSINESS TERMS – PROJECT JUPITER

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Agreed and Accepted:

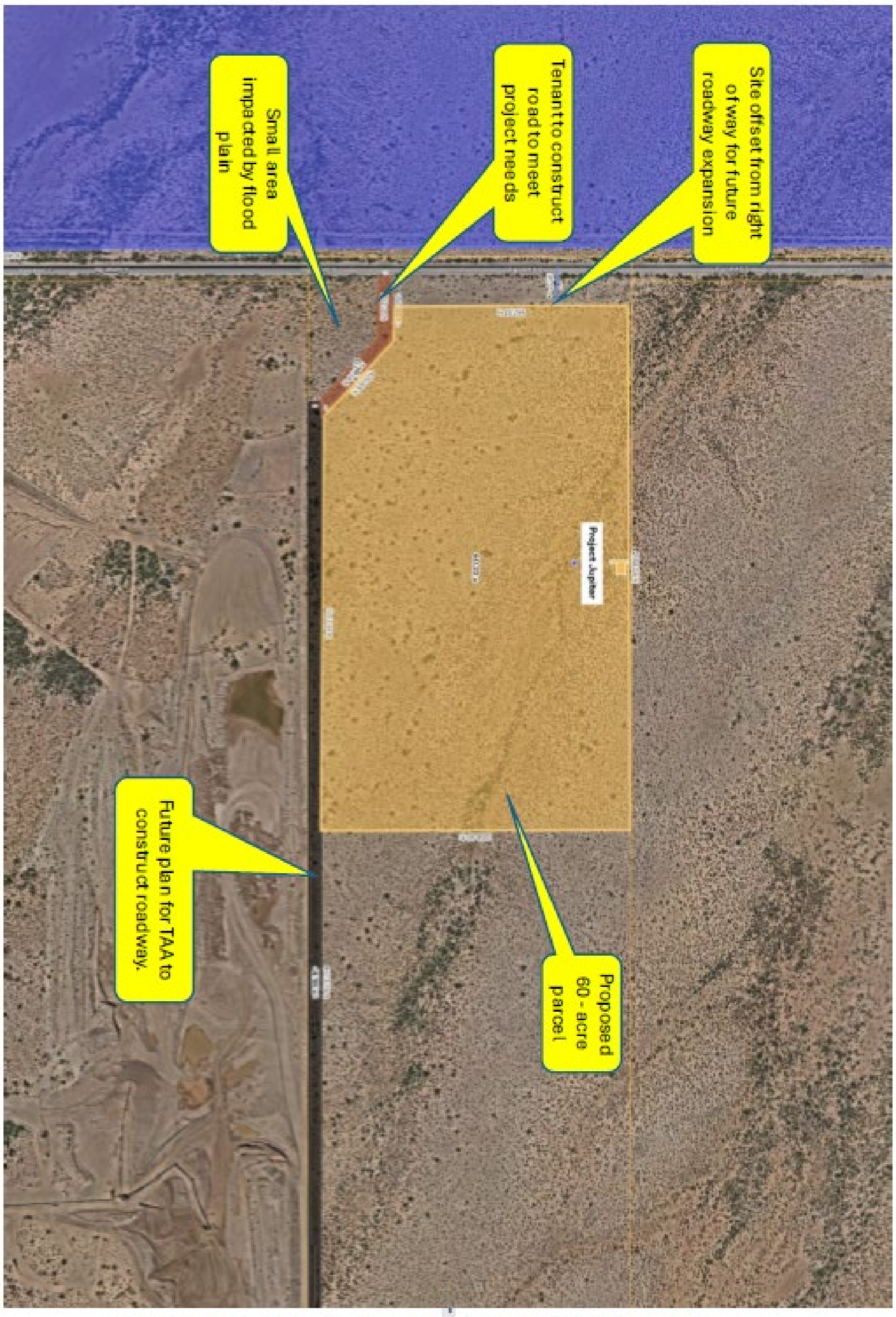
DocuSigned by:
7695A45BDC8D4AE

Authorized Signatory Andrew Bowman
President

6/29/2026
Date

KEY BUSINESS TERMS – PROJECT JUPITER

EXHIBIT "A": PREMISES



TUS
Los Reales Road
Alvernon Way
Swan Road
JUPITER
61.39 a

Date: September 2, 2026

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

Tucson International Airport (TUS) airline capacity has declined marginally since 2025, mainly due to global demand softness. Capacity to date is down about 4%, with about 300 fewer seats per day. Interestingly, summer capacity was higher this year than in 2025, with about 6% more summer seats. Scheduled capacity, for fall, mirrors 2025 levels.

Economic pressures remain significant. Airlines continue to face elevated fuel costs, maintenance costs, and labor costs. Carriers also face persistent aircraft delivery delays caused by supply chain constraints. The largest network carriers have generally offset these costs through stronger pricing power and diversified revenue streams, including premium seating, and loyalty programs.

Major airlines continue to rely on credit card agreements to maintain profitability. Both Delta and United recently reported second quarter earnings. Delta reported a 9% margin and United reported an 8% margin. But without the sale of frequent flyer miles both airlines would have posted negative margins in the quarter. Delta loses about 8 cents on the dollar for each passenger it carries while United loses about 2 cents on the dollar, even taking into account premium travelers.

Low-cost and ultra-low-cost carriers have struggled to maintain profitability. Demand in the sector lags as inflation takes its toll on middle-class families. The result has been a widening financial divide between the industry's strongest and weakest operators.

These factors are evident in Frontier’s performance at TUS. Despite heavy TUS marketing, Frontier filled just 50% of its seats through the end of its last season, in April 2026. Frontier flew alongside a legacy carrier on each route, and it lagged the performance of the legacy airline in each case. Frontier’s Denver nonstop was its best performer, with 68% of seats filled, but United filled 79% of seats to and from Denver, while Southwest filled 77% of seats. Similarly, to Dallas/Ft. Worth, Frontier filled just 33% of seats while American filled 85%. To Las Vegas, Frontier filled only 44% of seats while Southwest filled 77% of seats. To Salt Lake City, Frontier filled 20% of seats while Delta filled 84% of seats.

Frontier’s status in the TUS market for 2026/2027 remains uncertain. Initial fall schedules reflected three flights per week to and from Denver starting in October 2026, however those flights have been delayed and are no longer on sale. It should be noted that TAA’s Air Service Development team continues to make the business case for Frontier to serve markets without current nonstops. To date, Frontier has been hesitant to do so.

Premium leisure travel is expected to stay above historical norms through fall of 2026, while demand for low-cost travel is expected to continue to decline. If inflation remains contained and consumer spending holds up, overall demand should continue to grow through calendar year 2027. However, higher fuel prices, geopolitical events, or a slowing US economy could reduce discretionary travel, and have an impact on TUS's outlook.

US demand is expected to grow only about 1.5% into 2027, reflecting a mature market. International demand is flat, with the exception of Canadian demand to the US. Travelers between Canada and Arizona are down 12% in the last 12 months and are at their lowest point since 2014.

Phoenix Sky Harbor Airport (PHX) continues to see steady, but slowed, air service growth. At PHX, airlines will offer 2.4% more seats in 2026 than 2025. However, the vast majority of those additional seats are on two carriers that have launched non-stop service to Taipei. Domestic capacity at PHX is up less than 1%, with some of the added seats on Southwest's new TUS to PHX nonstop service.

PHX remains a powerful magnet for TUS passengers due to PHX's array of nonstop cities. This summer, PHX has nonstops to 159 airports. However, TUS has nonstops in 14 of its 20 largest passenger markets. The biggest battleground for passengers appears to be in new developments north of Ina Road in Tucson, Marana, and Oro Valley, where elapsed travel time can be nearly equal depending on connection time.

TAA continued to offer free parking throughout summer 2026 for its underused uncovered Economy Lot, to stimulate passengers and to reduce leakage to PHX. To date, this promotion has seen over 650 uses.

The Air Service Development team will attend the Routes World Conference in October 2026 to meet with international airlines, including those from Mexico and Canada, as well as incumbent and US airline targets. With high fuel costs, airlines are certain to be careful in their deployment of aircraft and crew assets. TAA is already working to develop revamped business cases for the new economic environment.