TUCSON AIRPORT AUTHORITY |Board of Directors Regular Meeting
Wednesday, September 2, 2026|3:00 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 3:01 P.M.

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

Directors Absent: Treasurer Rhonda Piña, and Director Judy Rich

****Director Tim Overton began virtually and later joined the meeting in-person at 3:18 P.M.**

Staff Present: President/CEO Danette Bewley, Executive Vice President/Chief Operating Officer Bruce Goetz, Executive Vice President/General Counsel Chris Schmaltz, Vice President of Operations John Ivanoff, 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, Deputy General Counsel LeCarie Whitfield, IT Customer Support Technician Hector Lopez, and TAA Clerk Carolina Cordova.

TAA Members Present: Steve Bossé

2. **SWEARING IN CEREMONY**

Board Members, TAA Staff, and members of the public convened in the Gallery located on the departure level at TUS to witness the swearing in of TAA's new Chief of Police, Thomas Bailey. The ceremony was well attended, including Chief Bailey's family and friends, members of the TAA Police Department and TAA staff, and Chiefs of Police from other departments within Pima County.

The Board returned to the Board Room for the rest of the meeting.

3. **CONSENT AGENDA**

Chair Michael Hammond opened the floor for Board discussion on the Consent Agenda. There being no discussion, a motion was made and seconded.

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

Ayes (9) Hammond, Swaim, Falbaum, Jackson, Overton, Wheeler, Stewart, Katz, Sanchez

Nays (0)

4. **BOARD CHAIR REPORT**

a. TAA Advocacy

- Chair Michael Hammond expressed the importance of the Members being advocates of the TAA and to be involved with the community. He reported that TUS is the official airport for the University of Arizona, which is a milestone achievement. Several community events were mentioned and recommended that Members attend.
- Chair Michael Hammond commented on TAA's regional economic impact of $10.9 billion dollars.
- Chair Michael Hammond noted TUS has on average 55 flights daily at this time of the year. He reminded the Board to take the opportunity to fly TUS.
- The Fall Member Business Meeting and Mixer will be held on October 15, 2026. He expressed the importance for all TAA Members to attend this event.

5. **PRESIDENT/CEO REPORT**

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

- President/CEO Danette Bewley commented on Chief Bailey's swearing-in and presented in PowerPoint the modernization of the TAA Police Department's badges, patches, and fleet. The new designs are consistent with TAA's branded messaging and look.
- President/CEO Danette Bewley's PowerPoint presentation also included a report to the Board on the severe storm that occurred the evening of August 19, 2026. In addition to damage in various areas of TAA, much of the damage impacted the economy parking lot and parking system. Customer vehicles were damaged during the storm from blowing debris. TAA is working with insurance brokers on a restoration plan. President/CEO Danette Bewley acknowledged the TAA Police Department's work in diligently documenting damage at the economy lot.

b. Executive Vice President/ Chief Operating Officer (EVP/COO) Bruce Goetz provided a Strategic Plan update:

- EVP/COO Bruce Goetz highlighted information provided in the PowerPoint presentation included in the Board materials. Specifically, EVP/COO Bruce Goetz mentioned that passenger revenue is up 12.2% year over year. Two different TAA tenants have started construction on 12,000 sf hangars.
- Employee retention is 98% for employees who achieve an "exceeds" performance rating. We are able to demonstrate that top performing employees remain employed in our organization.
- Under Project Excellence, EVP/COO Bruce Goetz mentioned two major projects: the ASE project, on which concrete pour of the new runway continues; and the upgrade of camera and access control systems which are underway.
- Under TAA Champions, President/CEO Danette Bewley and CCO Austin Wright have been very involved attending community events and sharing the Fly Tucson First message.
- Chair Michael Hammond asked questions relating to the concrete batch plant utilized during the ASE project. EVP/COO Bruce Goetz explained that the batch plant was rented from the contractor and will be disassembled upon project completion. Chair Michael Hammond asked for clarification of the 12.2% increase in passenger revenue. VP/CRO John Voorhees explained that this increase is primarily attributable to an increase in parking revenue.

6. <u>PRESENTATION/ DISCUSSION</u>

President/CEO Danette Bewley, EVP/GC Christopher Schmaltz, and VP/CFO Mary Fowler presented an Airport Finance Report and Budget Overview.

- President/CEO Danette Bewley provided a brief overview of FAA regulations applicable to TAA financing, highlighting the federal revenue use policy and self-sustaining entity policies, and grant assurances among the requirements we are subject to when accepting federal grant funding. She explained TAA's revenue sources are categorized as aeronautical revenue or non-aeronautical revenue. TAA utilizes a residual rate making methodology, meaning the airlines accept the risk of revenue shortfalls. TAA has demonstrated good fiscal management and the airlines trust that we are not exceeding our budget and burdening them at the end of the year to make up any shortfall. We have finally reached an agreement on terms with the airlines for a ten-year Airline Use Agreement (AUA), which will be circulating for signatures soon. We have redefined the cost allocations between the terminal and the airfield, and the rate equations are based on actual use. We always want to know what our cost per Enplaned Passengers (CPE) is, which is an important metric to the airlines. Our rate is right where we need to be to be effective as airport managers and leaders, and to retain and attract air service.
- EVP/GC Christopher Schmaltz explained revenue is broadly defined under federal law and regulation as all revenue we receive as part of TAA's operations. Federal law places

restrictions on how we may use that revenue. The money needs to be spent to the airport's benefit. When we spend money off airport to sponsor state of the town events, those are explicitly related to marketing in those jurisdictions to reinforce and attract use of TUS. We also use revenues to invest in infrastructure improvements both onsite and off-site property holdings to make our land more attractive to developers and diversify our revenue sources. We have an incredible finance team who monitors closely how money is being spent because the risk to us –losing our grants -- is significant.

- VP/CFO Mary Fowler explained in greater detail the key components of the rate calculations within the new AUA agreement. Within aeronautical revenue, we have signatory airline and non-signatory airline rates. The rate calculation pursuant to the new formular applies to signatory airlines. Non-signatory airlines pay a 25% premium. VP/CFO Mary Fowler explained cost allocation between terminal space and landing fees, mentioning some cost categories. She explained sources of non-aeronautical revenue, highlighting rental cars, concessions, facility rentals, and land rents. Non-aeronautical revenue diversifies our revenue sources, so we are not as reliant on airline performance.
- VP/CFO Mary Fowler explained the budget revenue mix; passenger airline rates and charges, concessions, and other operating revenue. She noted that 75% of our revenue is driven by airline and airline-related activities. Key revenue sources that operate outside of the residual model are (1) the special reserve funds in the industrial area of which 25% is used to offset the airline's cost, (2) Passenger Facility Charges (PFCs), which are restricted funds maintained outside of the airport system that may be used with FAA approval; and (3) Customer Facility Charges (CFCs) which are generated from rental car users and used for rental car facility programs. EVP/GC Christopher Schmaltz added that raising more revenue on the CFCs gives the TAA a revenue stream that benefits the system while not adding a cost to the airlines.
- VP/CFO Mary Fowler provided additional clarification about how the new AUA defines the four cost centers and calculates rates for each cost center. The four cost centers Airfield, Terminal, Landside, and Ryan Airfield. The new rate calculations help to ensure that revenue, less expenses, are properly allocated to the cost center where the benefit lies.
- VP/CFO Mary Fowler explained that with regard to expenses, where an expense may be allocated directly to a cost center, then it is applied to that rate base.
- Lastly, VP/CFO Mary Fowler discussed how funding of capital projects may affect the rate calculation. When we fund capital projects through cash, that cost is allocated to the rate base entirely in that year. Alternatively, with debt financing, the project costs are allocated to the rate calculation over the debt repayment schedule. We can also do a mix of both. Grants and PFCs may be used for capital projects and may not hit the rate base. Much of this is determined by capital planning.
- To summarize, under the prior agreement, we only had the landing fee, and all costs essentially rolled down into one fee. Under the new model, we know where the costs fall, what areas are profitable, and it becomes clearer to the airlines how much each

area offsets the costs. VP/CFO Mary Fowler further demonstrated the rate calculations for the FY27 budget year in the PowerPoint demonstration. We have a residual rate model. We calculate the rate in our annual budget, which goes to the airlines for consultation and Financial Council review, and then today to the Board for approval. Once the budget is approved and the AUA is executed, the rates will be effective October 1st of every year. The excess revenues we generate that are outside of this residual model go back to TAA.

- Chair Michael Hammond commented that the budget is a well thought out budget, which the airlines have approved, and the Financial Council recommends to the Board for approval.
- VP/CFO Mary Fowler then reported FY26 (through June 30, 2026) figures.
- The Board had no additional discussion or questions regarding the FY27 Budget or FY26 financial reporting.

7. ACTION ITEMS

Chair Michael Hammond called on each action item for approval and opened the floor for Board discussion to each item separately. Chief People Officer Kim DeLaTorre and Vice President/Chief Revenue Officer John Voorhees provided a brief overview of each item respectively and were present for any questions, which there were none.

Motion by Director Vance Falbaum, seconded by Director Tim Overton, to approve Resolution No. 2026-16, approving the FY27 Operating and Capital Budget, which includes 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. The Motion carried by the following vote:

Ayes (9) Hammond, Swaim, Falbaum, Jackson, Overton, Wheeler, Stewart, Katz, Sanchez

Nays (0)

Motion by Director Fran Katz, seconded by Director Ellen Wheeler, to approve Resolution No. 2026-17, approving the Tucson Airport Authority Compensation Plan dated October 1, 2026. The Motion carried by the following vote:

Ayes (9) Hammond, Swaim, Falbaum, Jackson, Overton, Wheeler, Stewart, Katz, Sanchez

Nays (0)

Motion by Director Tim Overton, seconded by Director Calline Sanchez, to approve Resolution No. 2026-18, approving the delegation of authority to the President/CEO, or her designee, to negotiate and execute an agreement with the 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. The Motion carried by the following vote:

Ayes (9) **Hammond, Swaim, Falbaum, Jackson, Overton, Wheeler, Stewart, Katz, Sanchez**

Nays (0)

8. **DIVISION UPDATES**
   a. **Chief Communications Officer Austin Wright provided a brief update on Air Service Development:**
      - The airlines are low on landed weight and passengers. We attribute this decrease to the impact of fuel prices, and increases in labor and maintenance costs, which are impacting airlines' ability to operate efficiently.
      - Despite lower-than-expected projections, TUS has seen 6% more seats available for sale. This is largely attributed to additional flights to Phoenix (PHX).
      - Frontier Airlines is in survival mode and not returning to TUS in the fall. We project 4% fewer passengers for the year ahead, largely attributable to the loss of Frontier Airlines.
      - Across the country, travel demand is expected to grow by only 1.5%.
      - We continue to try and stop leakage to PHX. Our primary messaging is the ease of use of our airport. Marana and Oro Valley are big target markets.
      - We continue to offer free parking promotions to encourage traveling from TUS. We are developing innovative promotions involving concessions to generate consumer spending within the airport. CCO Austin Wright reports that he and President/ CEO Danette Bewley continue marketing TUS at local events.
      - CCO Austin Wright will attend the Routes World Conference to meet with airlines to focus on developing additional air service to TUS.
      - Chair Michael Hammond asked about reporting of international travel and international travelers. CCO Austin Wright advised that the TAA Marketing Department has ongoing marketing data studies to identify international traveler destinations, mentioning Canada and Mexico travel. He added that international travel is not popular at this moment.

   b. **Executive Vice President/General Counsel Christopher Schmaltz and TAA Clerk Carolina Cordova presented a Member Resource Page:**
      - A brief overview of the newly created *Member Resource Page* and the intention behind its creation was presented. Discussion and feedback were welcomed. Vice Chair Phil Swaim recommended that a tile for Talking Points for TAA Champions be added to the member resource page.

9. **NEXT MEETING**

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

10. ADJOURN

Chair Michael Hammond adjourned the meeting at 4:17 P.M.

APPROVED BY:

_____
Vance Falbaum, Secretary
Date: _____

Prepared by:

_____
Carolina Cordova, TAA Clerk
Date: _____

DRAFT