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**TUCSON AIRPORT AUTHORITY | Finance and Risk Management Council Meeting**  
**Wednesday, August 20, 2025, at 2:30 p.m.**  
**7250 S. Tucson Blvd Tucson, AZ 85756 | TAA Board Room**

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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 **Finance and Risk Management Council** will hold a meeting open to the public on **Wednesday, August 20, 2025, at 2:30 p.m.** The public may attend in person. Council members may attend in person or remotely.

**In-Person:** The TAA Board Room is on the departure level of the Tucson International Airport terminal and is situated between the Delta and Southwest ticket counters, and behind the Arroyo Trading Post. The address is 7250 South Tucson Boulevard, Tucson, Arizona, 85756.

The agenda for the meeting is as follows:

**1. CALL TO ORDER | ROLL CALL**

- |   |   |                                     |
|---|---|-------------------------------------|
| <input type="checkbox"/> Tim Overton, Chair | <input type="checkbox"/> Omar Mireles, Vice Chair | <input type="checkbox"/> Rob Draper |
| <input type="checkbox"/> Ricardo Platt      | <input type="checkbox"/> Tony Penn                | <input type="checkbox"/> Angela Gee |
| <input type="checkbox"/> Lydia Aranda       |   |                                     |

**2. APPROVAL OF MINUTES**

The Council will consider and may approve the minutes of the Finance and Risk Management Council Meeting held on August 19, 2024.

**3. PRESENTATION/DISCUSSION**

**a. Tucson Airport Authority Operating and Capital Budget for FY 2026**

The Council will receive a presentation regarding the Tucson Airport Authority's proposed operating and capital budget for the fiscal year beginning on October 1, 2025, and ending on September 30, 2026.

**4. ACTION ITEM**

The Council may consider and by motion make a recommendation to the Board of Directors on the following:

**a. Tucson Airport Authority Operating and Capital Budget for FY 2026:**

The Tucson Airport Authority's proposed operating and capital budget for the fiscal year beginning on October 1, 2025, and ending on September 30, 2026.

**5. ADJOURN**

**TUCSON AIRPORT AUTHORITY | Finance and Risk Management Council**  
**Monday, August 19, 2024 | 3:00 p.m. | Virtual Meeting**

THIS ADVISORY COUNCIL MEETING WAS HELD VIRTUALLY, WITH COUNCIL MEMBERS ATTENDING VIA MICROSOFT TEAMS OR TELEPHONICALLY. MEMBERS OF THE PUBLIC WHO COMPLETED A REGISTRATION FORM RECEIVED A LINK TO VIEW THE MEETING OR TO LISTEN BY PHONE.

**1. CALL TO ORDER | ROLL CALL**

Chair Overton called the meeting to order at 3:00 p.m.

**Council Members Present:** Chair Tim Overton, Vice Chair Omar Mireles, Council Member Rob Draper, Council Member Ricardo Platt, Council Member Tony Penn, Council Member Angela Gee, and Council Member Lydia Aranda

**Council Members Absent:** None

**Staff Present:** President/CEO Danette Bewley, Executive Vice President/General Counsel Chris Schmaltz, Vice President/Chief Financial Officer Kim Allison, IT Customer Support Technician Hector Lopez, and TAA Clerk Byron Jones

**2. APPROVAL OF MINUTES**

**Motion by Council Member Penn, seconded by Council Member Aranda, to approve the minutes of the Finance and Risk Management Council meeting held on October 9, 2023. The motion carried by the following vote:**

**Ayes     7     Overton, Mireles, Draper, Platt, Penn, Gee, and Aranda**

**Nays     0**

**3. PRESIDENT/CEO REPORT**

State of the Industry | Update

President/CEO Danette Bewley reported the following:

- ☐ Airline CEOs are meeting with Kelly Ortberg, the new CEO of Boeing. They are expressing optimism that Mr. Ortberg will implement changes to improve the safety and reliability of their aircraft. The airlines have suffered huge losses during the past two years due to the grounding of large portions of their fleets after several high-profile incidents and accidents. The Federal Aviation

Administration (FAA) has capped their production to 38 per month, which presents challenges to the industry as the Boeing 737 is the world's most popular aircraft.

- ☐ Tucson continues to remain an attractive market to the airlines. Projections are for a 12% increase in capacity over the next year.
- ☐ TUS secured a \$55M grant from the FAA for the Airfield Safety Enhancement (ASE) Program.

#### **4. PRESENTATION/DISCUSSION**

##### **a. Tucson Airport Authority Operating Budget for FY 2025**

Vice President/Chief Financial Officer Kim Allison presented:

##### **FY 2025 Budget Assumptions:**

- ☐ Based on projections provided by the airlines, TAA is forecasting a 10.72% increase in landed weight and a 7.1% increase in passenger volume over FY 2024.
- ☐ TAA is proposing an overall 9% increase to various rates charged to the airlines. The airlines are in support of the increase.
- ☐ TAA is projecting an 8.5% increase in operating expenses compared to FY 2024.
- ☐ TAA projects that it will need to contribute \$29.5M to the Airfield Safety Enhancement Project (ASE). This will consist of funds left over from the Federal Rescue Fund combined with the Airline Reserve Fund (ARF). The airlines are in support of using ARF for this purpose.
- ☐ There will be no new debt service in FY 2025.
- ☐ To balance the budget, the FY 2025 landing fee will increase from \$2.02 to \$2.99. The significant increase is the result of the TAA's efforts over the past two years to gradually bring the rate back to a break-even point after keeping it artificially low to support the airlines during the economic downturn caused by the COVID-19 pandemic.

President/CEO Danette Bewley and VP/CFO Kim Allison responded to general questions from the Council members regarding the budget and TAA's fiscal policies. The Council was in overall support of the budget.

**b. Tucson Airport Authority PSPRS Funding Policy for FY 2025**

Executive Vice President/General Counsel Chris Schmaltz presented.

- ☐ TAA is required by statute to update annually its policy for funding its obligations to the Public Safety Personnel Retirement System (PSPRS). The policy recognizes the net pension liability that TAA records on its books for Tier One and Tier Two police and fire employees.
- ☐ TAA relies on reporting from the PSPRS system, which includes unfunded actuarial accrued liability and annual required contribution estimates separated for the police and fire programs. The statute requires that TAA formally accept the reported share of pension assets and liabilities for both programs and provide a plan for meeting those obligations in future years.

There were no questions from the Council.

**5. ACTION ITEMS**

**a. Tucson Airport Authority Operating Budget for FY 2025**

Motion by Council Member Penn, seconded by Vice Chair Mireles, to recommend to the Board of Directors that it approve as presented the Tucson Airport Authority's proposed operating budget for the fiscal year beginning on October 1, 2024, and ending on September 30, 2025. The motion carried by the following vote:

Ayes     7     Overton, Mireles, Draper, Platt, Penn, Gee, and Aranda  
Nays     0

**b. Tucson Airport Authority PSPRS Funding Policy for FY 2025**

Motion by Council Member Platt, seconded by Council Member Aranda, to recommend to the Board of Directors that it approve as presented the Tucson Airport Authority's proposed Public Safety Personnel Retirement System (PSPRS) Funding Policy for the fiscal year beginning on October 1, 2024, and ending on September 30, 2025. The motion carried by the following vote:

Ayes     7     Overton, Mireles, Draper, Platt, Penn, Gee, and Aranda  
Nays     0

**6. ADJOURN**

There being no further business to discuss, Chair Overton adjourned the meeting at 3:37 p.m.

**APPROVED BY:**

**PREPARED BY:**

\_\_\_\_\_  
Tim Overton, Chair

\_\_\_\_\_  
Carolina Cordova, TAA Clerk

Date: \_\_\_\_\_

Date: \_\_\_\_\_


DRAFT



## **FY 2026 TAA Operating and Capital Budget**

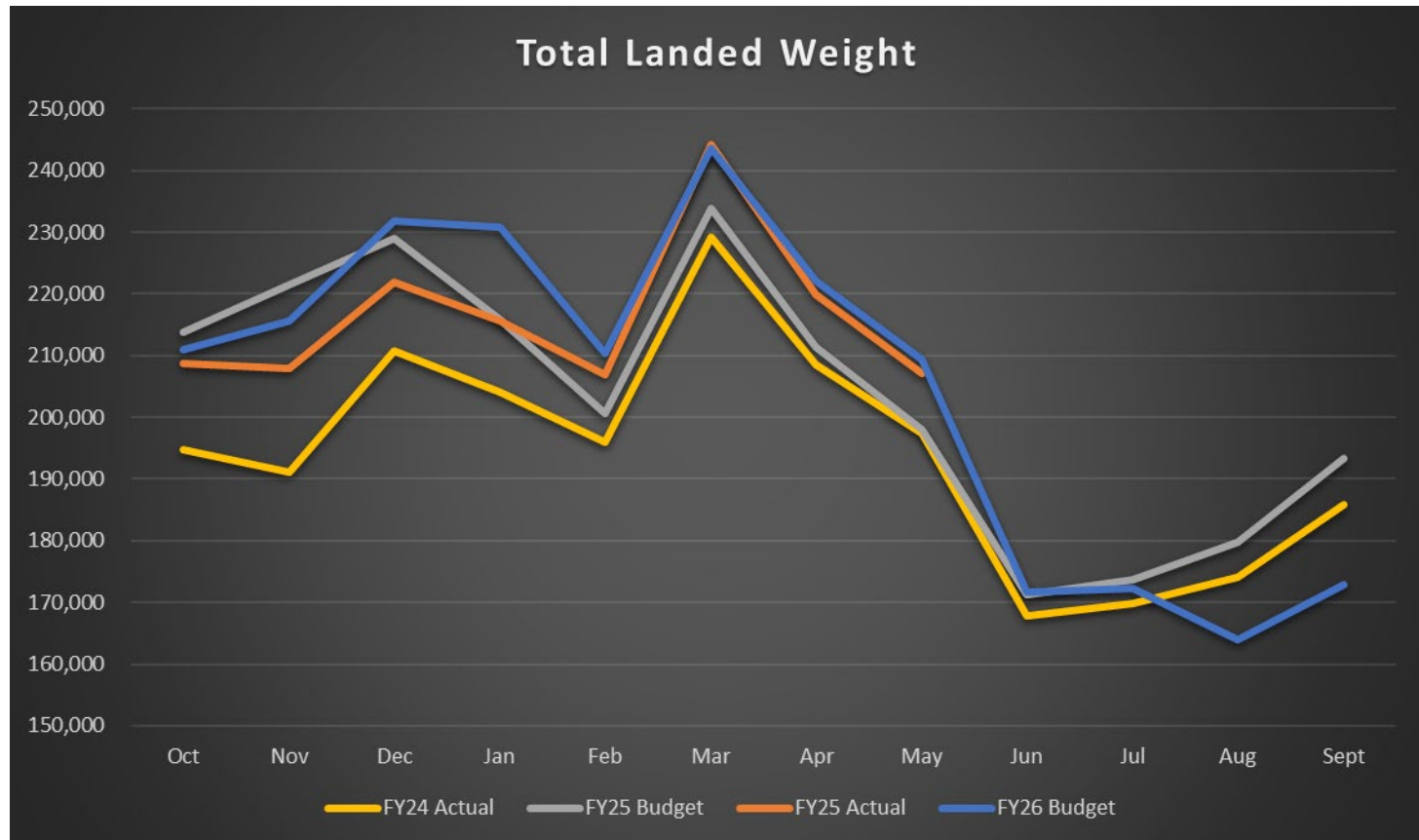
Finance and Risk Management Council Meeting

August 20, 2025



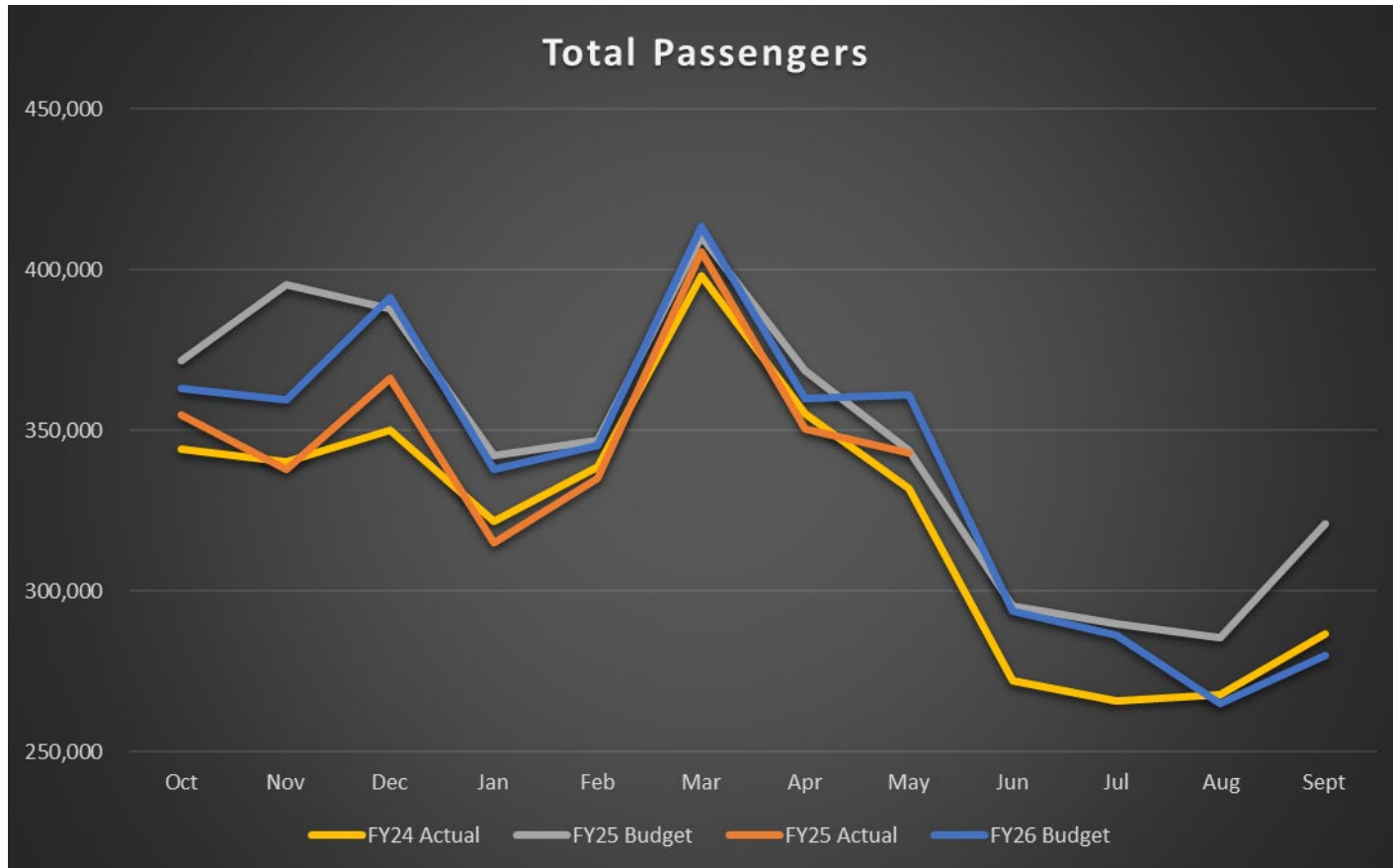
# FY2026 Budget

# FY 2026 Landed Weight Budget



- Forecasted 0.5% increase in total landed weight over FY 2025 Budget
- 6.2% increase YTD in actual landed weight year-over-year Oct-May

# FY 2026 Passenger Budget



- 4.5% decrease in forecasted passengers FY 2025 – FY 2026
- 1.0% increase YTD in actual passengers year over year Oct-May

# YTD May 2025 Flight & Passenger Activity

	<u>FY2025</u>	<u>FY2024</u>	<u>FY2023</u>
<u>Eight Months Year-To-Date</u>			
Total Passengers	2,807,735	2,780,509	2,569,120
Average Load Factor	78.1%	89.3%	84.6%
Average Daily Seat Capacity	7,452	6,720	6,415
Average Seat Count per Departure	122.7	121.3	129.3

# FY 2026 Budget Rate Trend Proposal

Space/Charge Type	Fee Basis	FY 2024	FY2025	FY2026 Proposed	
<i>Rates effective October 1,</i>		<i>2023</i>	<i>2024</i>	<i>2025</i>	<i>% Increase</i>
Ticket counter, kiosk, phone bank	per sq/ft per year	\$ 92.01	\$ 100.29	\$ 102.72	2.42%
Airline ticket office (ATO)	per sq/ft per year	\$ 92.01	\$ 100.29	\$ 102.72	2.42%
Baggage makeup	per sq/ft per year	\$ 30.66	\$ 33.42	\$ 34.23	2.42%
Baggage storage	per sq/ft per year	\$ 92.01	\$ 100.29	\$ 102.72	2.42%
Operations area	per sq/ft per year	\$ 78.18	\$ 85.22	\$ 87.28	2.42%
Baggage claim	per sq/ft per year	\$ 87.26	\$ 95.11	\$ 97.41	2.42%
TSA EDS Bag Screening Pods	per sq/ft per year	\$ 55.22	\$ 60.18	\$ 61.64	2.42%
Holdroom per gate	per gate per year	\$ 134,167.77	\$ 146,242.87	\$ 149,779.55	2.42%
Aircraft parking position at leased gate	per position per year	\$ 9,625.68	\$ 10,491.99	\$ 10,745.73	2.42%

TAA-owned jet bridge at leased gate/2	per bridge per month	\$ 4,316.76	\$ 4,705.27	\$ 4,819.06
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Index	2017 = 100	2017 = 100	2017 = 100
<b>Implicit Price Deflators for Gross Domestic Product</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Index numbers	118.02600	122.27300	125.23000
Rate increases year over year		1.035983597	1.024183589
<b>Discount</b>			

Source: Bureau of Economic Affairs, NIPA, Section 1 Domestic Product and Income

# FY 2026 Landing Fee Requirement

Description	2026 Budget	2025 Forecast	2025 Budget	2024 Actual - Unaudited	2026 Budget vs 2025 Forecast \$ Inc./(\$ Decr.)	% Inc. (% Decr.)
Net Operating Income	5,932,281	5,135,202	5,135,202	11,522,252	797,079	15.5%
Debt Service						
Airport Revenue Bonds (Subordinate Lien)	3,995,966	3,998,174	3,998,174	3,996,652	(2,208)	-0.1%
PFC Payment	(3,995,966)	(3,998,174)	(3,998,174)	(3,996,652)	2,208	-0.1%
Special Reserve Advances	2,916,751	2,900,510	2,900,510	4,013,059	16,241	0.6%
Insurance Reserve Advances	956,829	956,829	956,829	956,829	-	0.0%
Total Debt Service	3,873,580	3,857,339	3,857,339	4,969,888	16,241	0.4%
Fund Transfers						
Operations & Maintenance Reserve	-	1,675,825	1,675,825	1,096,829	(1,675,825)	-100.0%
Capital Improvement Fund	1,824,423	1,654,808	1,654,808	1,576,007	169,615	10.2%
Special Reserve Fund	1,942,163	1,867,320	1,867,320	1,901,925	74,843	4.0%
Maintenance Reserve Fund	2,186,265	1,500,000	1,500,000	500,000	686,265	45.8%
Common Area Major Maintenance Funds	143,722	143,670	143,670	144,010	52	0.0%
Airline Reserve Fund (Dedicated to ASE)	-	(29,549,144)	(29,549,144)	(29,202,237)		
Total Fund Transfers	6,096,573	(22,707,521)	(22,707,521)	(23,983,466)	(745,050)	3.3%

# FY 2026 Landing Fee

Description	2026 Budget	2025 Forecast	2025 Budget	2024 Actual - Unaudited	2026 Budget vs 2025 Forecast \$ Incr./(\$ Decr.)	% Incr. (% Decr.)
Capital Requirements						
Capital Improvement Projects (CIP)	1,263,000	28,246,269	28,246,269	33,654,907	(26,983,269)	-95.5%
Capital Outlay	5,250,000	3,777,000	3,777,000	1,706,591	1,473,000	39.0%
Capitalized Major Maintenance	824,000	927,634	927,634	996,004	(103,634)	-11.2%
Special Funding Sources		-			-	0.0%
Capital Improvement Fund	(1,824,423)	(1,654,808)	(1,654,808)	(1,576,007)	(169,615)	10.2%
Special Reserve Fund	-	-	-	-	-	0.0%
Maintenance Reserve Fund	(2,186,265)	-	-	-	(2,186,265)	0.0%
Common Area Major Maintenance Funds	-	-	-	-	-	0.0%
Total Capital Requirements	3,326,312	31,296,095	31,296,095	34,781,495	(27,969,783)	-89.4%
Signatory Landing Fee Requirement (Residual)	\$ 7,364,185	\$ 6,835,826	\$ 7,310,711	\$ 4,245,664	\$ 528,359	7.7%
Landed Weight Signatory Airlines	2,327,267	2,286,229	2,442,078	2,329,200	41,038	1.8%
Calculated Landing Fee	\$ 3.16		\$ 2.99		\$ 0.17	5.7%

# FY 2026 Funding Highlights

- \$12.6 million in Capital Requirements (CIP, CO, MM)
- \$65.4 million of grant funding for ASE Program
- No new debt service in FY2026
- Seeking \$9.7 million in PFC funding for FY2026

# FY 2026 Budget

Questions?

# THANK YOU



August 20, 2025

**To:** Finance and Risk Management Council  
**From:** Kim Allison, Vice President of Finance / CFO  
**Re:** FY 2026 Tucson Airport Authority Operating and Capital Budget

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**Purpose:**

Attached for your review is the FY 2026 Tucson Airport Authority (TAA) Operating and Capital Budget.

The TAA has submitted a Passenger Facility Charge (PFC) application to the Federal Aviation Administration (FAA) to impose and use PFC funds. A PFC is a \$4.50 per ticket fee collected from passengers by airlines with a percentage shared with eligible commercial service airports, after FAA approval to fund eligible airport improvement projects that enhance safety, security, capacity or environmental projects. We anticipate approval from the FAA in late September 2025.

The document entitled, "Airport System Residual Landing Fee Calculation" (Exhibit A) presents a comparative analysis of major revenue and expense categories for the proposed FY 2026 budget, the current fiscal year forecast and approved FY 2025 budget.

**Activity FY 2026 Forecast vs FY 2025 Budget:**

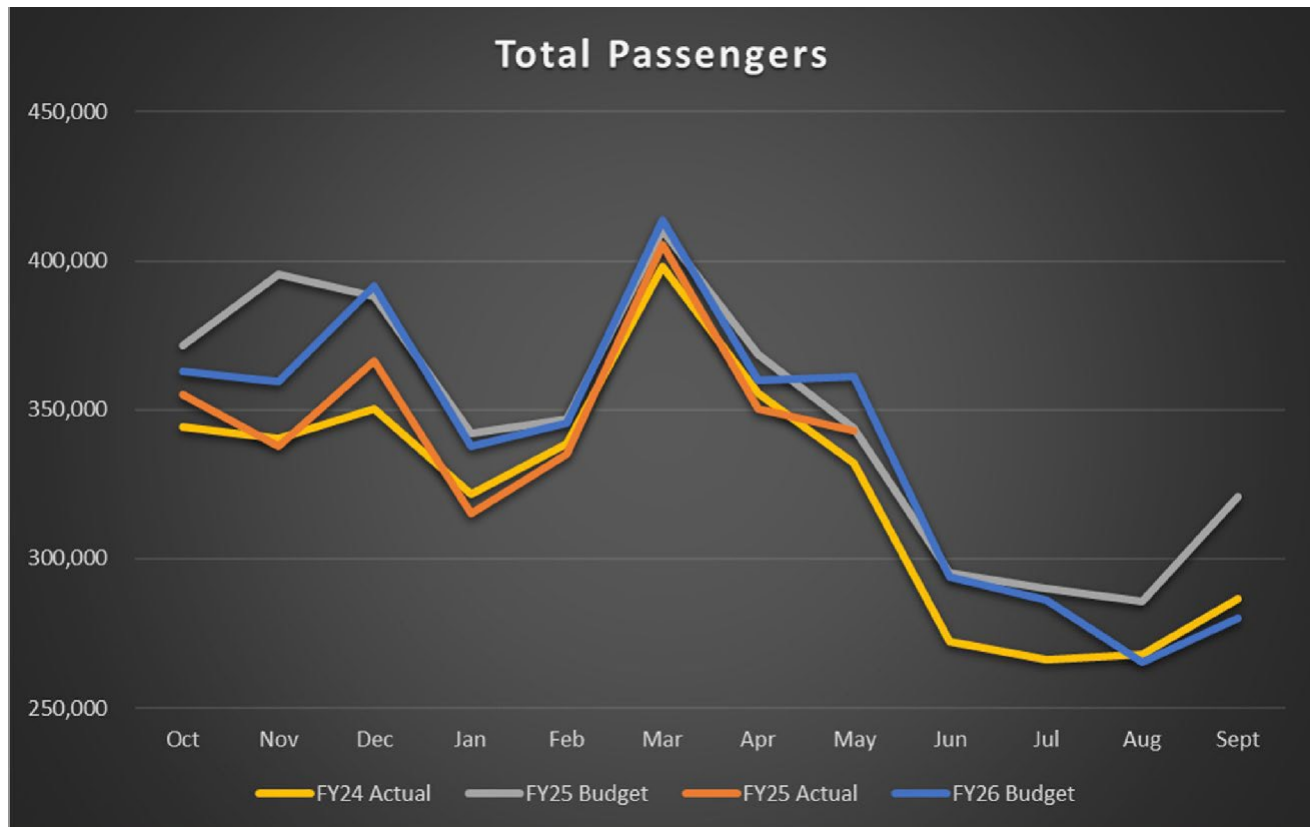
Overall, the fiscal year results have tracked favorably to the annual budget. Year-to-date through March 2025, operating revenues were favorable to the budget by 1.2%. This is despite unforeseen negative impacts in the global economy that have impacted the travel industry. Year-to-date through May 2025, enplaned passenger activity has been lower than budget by 4.67%, primarily due to the significant reduction of migrant travelers. Year-to-date through March 2025, operating expenses were favorable to budget by 15.1%.

**FY 2026 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 FAA Part 139 certification components that satisfy the operating certificate requirements and the specific infrastructure and resources managed and maintained, which do not significantly change year-to-year. For FY 2026, budgeted landed weight volume for signatory airlines is expected to increase by 1.8% over FY 2025. Accordingly, this is expected to be a driver in increasing TAA's Operating Revenue for the year.

FY 2026 passenger activity is budgeted to increase 4.1% compared to the FY 2025 forecast, with 4.1 million total expected passengers at TUS. Load factors are expected to remain relatively high with the load factor for FY 2026 forecast to be 80.3%.

Landed weight is highly correlated with passenger volume. With the expectation of elevated load factors, the budgeted landed weight for FY 2026 is 2.2% higher than the FY 2025 forecast.



#### **Debt Service:**

There will be no new airport system debt service for FY 2026. This is due in large part to \$65.4 million in federal and state funding awards for use in the Airfield Safety Enhancement (ASE) Program during FY 2026. See the Appendix section for additional details on the current outstanding airport system debt service.

#### **Fund Transfers:**

All fund transfers are budgeted and executed in accordance with the terms of the Airport Use Agreement (AUA). See table 1 for a detailed list of fund transfers.

- The transfer to the Capital Improvement Fund is budgeted to increase 5.0% in FY 2026, as prescribed by the AUA.
- Transfers to the Special Reserve Fund are expected to be \$1.9 million, which represents 52% of the anticipated net operating income of the industrial area, as prescribed by the AUA.
- A planned transfer of \$2.2M to the Maintenance Reserve fund for unplanned maintenance expenditures. This is the maximum annual amount allowed by the AUA.
- Common area maintenance transfers are flat.

The tables below provide details of the interfund loans included in the budget assumption for FY 2026.

Table 1

Special Reserve Fund Loans	Principal Payments	Interest Payments	Total Payments
Aerovation Hangar Door	\$87,561	\$1,812	\$89,373
ARDCO Hangar	\$23,389	\$15,743	\$39,132
HIDTA Hangar	\$45,518	\$31,869	\$77,386
Jet Bridges	\$117,619	\$75,144	\$192,762
Public Safety Personnel Retirement System	\$1,553,893	\$506,168	\$2,060,061
Series 2018 Refunding	\$287,213	\$50,927	\$338,140
Universal Hangar	\$53,743	\$21,592	\$75,336
Velocity Ryan Apron Improvement	\$41,971	\$2,589	\$44,560
<b>Total</b>	<b>\$2,210,907</b>	<b>\$705,844</b>	<b>\$2,916,751</b>
<b>Total Budgeted Special Reserve Fund Interfund Loan Payment FY 2026</b>			<b>\$2,916,751</b>

Insurance Reserve Fund Loans	Principal Payments	Interest Payments	Total Payments
QTA Expansion	\$60,760	\$6,107	\$66,867
RAC & Garage	\$806,904	\$83,058	\$889,962
<b>Total</b>	<b>\$867,664</b>	<b>\$89,165</b>	<b>\$956,829</b>
<b>Total Budgeted Insurance Reserve Fund Interfund Loan Payment FY 2026</b>			<b>\$956,829</b>

**Total Capital Requirements:**

Total capital requirements are budgeted to decrease by \$28.0 million compared to FY 2025 budget. The primary reason for the decrease is that the TAA is submitting a new PFC application with the FAA to support the ASE Program and design costs for the Checked Baggage Inspection System (CBIS). These are the fees collected by the airlines with a percentage shared with commercial service airports for eligible projects as approved by the FAA.

Attached are separate exhibits detailing budgeted project information for FY 2026: Exhibit B, Major Maintenance; Exhibit C, Capital Outlay; and Exhibit D, Capital Improvement Program.

**FY 2026 MAJOR MAINTENANCE PROJECTS**

Project Number	Project Name	Project Description	Project Cost
TBD	Upgrade Terminal Elevator Door Control Equipment	Terminal elevator door equipment is coming to end of life with multiple elevators no longer supported by the manufacturer. This project will replace all elevator door control equipment with modern controls with readily available parts.	\$235,000
TBD	Fire Department Laundry Area Buildout	The drain line in the laundry room is broken requiring extensive repairs. This project would fund the construction.	\$200,000
20219019	Ryan Maintenance Office Expansion	The revised plan is to place a mobile office at RYN.	\$180,000
10220371	Sealcoat GA Area B-1 (TCONDOS-06,07,10)	Seal coat sections TCONDOS:06 (85,872 sf), TCONDOS:07 (101,520 sf), and TCONDOS:08 (60,025 sf). This is ongoing pavement maintenance for our airport wide pavement management system.	\$134,000
TBD	Replace Gallery Men's Bathroom Floors	The floor in this bathroom is in terrible shape and is unsightly to our customers. This will create a tile floor over the terrazzo for better durability.	\$75,000
<b>Total</b>			<b>\$824,000</b>

**FY 2026 CAPITAL OUTLAY PROJECTS**

Project Number	Project Name	Project Description	Project Cost
TBD	Economy Covered Parking Expansion	The economy-covered lot (like all covered parking) is at capacity during warm months. This project nearly doubles the covered parking lot and adds potential revenue to TAA. Last year the economy lot grossed \$635,315; with expected parking rate increase ROI: 2 years.	\$1,607,000
TBD	Access Control System Total Camera Replacement	The original phase of the Access Control System (ACS) project only funded the hardware panels and readers. This current proposal will replace all the security cameras controlled by the ACS. The security cameras are past their useful life and no longer supported by the manufacturer.	\$1,100,000
TBD	New terminal sliding doors	The front entry sliding doors on both the ticketing and bag claim levels are 30 years old and parts are becoming difficult to obtain, creating lengthy service delays. This project will replace all the doors on both levels.	\$700,000
103235 96	Phase 2 Interior Terminal Signage	The signage master plan is nearly complete. Phase 2 begins the new signage implementation. Replace terminal signage, Phase 2.	\$500,000
TBD	Podiums at Gates	This will replace the outdated podiums at the gates on A and B concourses. The new design will allow the airlines to install additional video monitors specific to their customers and their operation.	\$300,000
TBD	Parking Revenue Control System (PARCS) – Phase 2	Add Annex and Airport Communications Center parking lot gate arms and control system to the Skidata environment for consistent operation, spare parts, and maintenance.	\$175,000
TBD	Purchase replacement TAA shuttle bus	Purchase new shuttle bus. Due to age and use, TAA 532 has met its useable service life.	\$165,000

<i>FY 2026 Capital Outlay Projects Continued</i>			
Project Number	Project Name	Project Description	Project Cost
10323564	Technology Lifecycle Management Program - Upgrade Edge Switches (FY26)	Replace/upgrade Edge Switches (Qty 20).	\$154,000
10324612	Terminal Seating	This will replace very dated and old seating on the ticketing and baggage claim levels to match newer style seating that was installed during the current fiscal year.	\$150,000
TBD	Breathing Air Compressor - Fire Department	Purchase a breathing air compressor for the Fire Department. This unit is used to fill the current cascade bottle system they have, and also their individual self-contained breathing apparatus (SCBA) bottles. Currently, they do not have a compressor, only a cascade fill station, and they rely on the AZANG fire department for filling, which is not the best practice.	\$75,000
TBD	Aircraft Recovery Dollies	Purchase aircraft dollies to assist with disabled aircraft recoveries.	\$70,000
10395002	Art Purchases	Every year the TAA has invested in art purchases to complement our passenger experience. These purchases will bring new art into the airport and purchase existing art on loan to the airport.	\$50,000
TBD	Medeco Intelligent Key System - Phase 2	Add more door cores and lock sets for the airport and outlying airport buildings.	\$50,000
TBD	Fire Lake C6-200 Incinerator	The incinerator is reaching the end of its expected life. The Maintenance Department has done several incinerator repairs to keep it running. The inside of the incinerator is crumbling and nothing can be done to repair it. Failure would be costly as it would mean we have to contract out regular Regulated Garbage pick-ups up to twice a week to remain in compliance with CBP regulations.	\$45,000
TBD	Annex Kitchen Renovation	The break room kitchen at the Annex Facility (TAA offices) is over 40 years old and is falling apart. This project renovates the kitchen to modern standards.	\$40,000

<i>FY 2026 Capital Outlay Projects Continued</i>			
Project Number	Project Name	Project Description	Project Cost
TBD	TAA Common Use Inserts	As TAA continues to move forward with Common Use technology, there is a need to have a consistent counter insert to match the existing new inserts designed for consistent operations.	\$30,000
TBD	Replace Car Wash Equipment at B-422	Current car wash equipment is beyond end of life and regularly breaks down. When equipment is down vehicles and equipment cannot be washed on site. Current equipment is not supported, and parts are increasingly hard to find causing extended down time of wash bay.	\$25,000
TBD	Install Potable Water Cabinet for A2 & A3	Install a potable water cabinet to service common use gates A2 & A3.	\$14,000
<b>Total</b>			<b>\$5,250,000</b>

### **Funding of Capital Requirements**

Work continues on the Airfield Safety Enhancement Program (ASE) in FY 2026. TAA plans to apply \$65.4 million of grant funding to fund the ASE Program in FY 2026. In the event the FAA provides additional discretionary grants, this amount will increase.

TAA is in the favorable position of having cash on hand to fund the local portion of planned ASE Program phases in FY 2026 and other capital project priorities at TUS, while it continues to aggressively seek grant funding from federal and state sources. TAA recommends this fiscally responsible approach, as it avoids adding debt financing to the airport system during this time of elevated interest rates. TAA will continue to apply available balances in the Airline Reserve Fund to the ASE Program.

### **Net Results and Summary:**

All budgeted items result in a signatory landing fee requirement of \$7.4 million. When divided by the budgeted signatory landed weight, the calculated landing fee is \$3.16 per thousand-pound unit, as required by the AUA amendment and extension.

**Additional Information:**

Included in your agenda packet are updated summaries of the rates and charges scheduled to take effect on October 1, 2025. These materials outline terminal rental rates, general rental rates and charges, and baggage claim allocations for the upcoming fiscal year. The referenced rates will also be communicated directly to each airline's local station manager and accounts payable contact.

In addition, on July 30, 2025, the TAA met with the Airline and Airport Affairs Committee (AAAC), a group of designated representatives from each airline (corporate executives). Members of the AAAC asked a few questions and expressed no concerns with the TAA's proposed FY 2026 Budget and the proposed landing fee.

**Recommendation:**

TAA Staff recommends that the Finance and Risk Management Council recommend to the Board of Directors that it approve the proposed FY 2026 Operating and Capital Budget as presented.

**Attachments:**

- Exhibit A – Statement of Airport System Requirements FY 2026
- Exhibit B – FY 2026 Major Maintenance Program
- Exhibit C – FY 2026 Capital Outlay Program
- Exhibit D – FY 2026 Capital Improvement Program
- Exhibit E – Majority in Interest Landed Weights Summary – July 2024 – June 2025
- Exhibit F – Signatory Airline Majority-In-Interest (MII) Voting Ballot – FY 2026 Budget Items
- Exhibit G – TUS General Rates and Charges (Effective October 1, 2025)
- Exhibit H – Monthly Baggage Claim Area Rental Charges – October 2025 – September 2026

# STATEMENT OF AIRPORT SYSTEM REQUIREMENTS FY2026 BUDGET

Description	2026 Budget	2025 Forecast	2025 Budget	2024 Actual - Unaudited	2026 Budget vs 2025 Forecast \$ Incr./(\$ Decr.)	% Incr. (% Decr.)
<b>Operating Revenue</b>						
Revenue from Signatory Airlines						
(Other than landing fees and fuel sales)	\$ 11,751,280	\$ 10,764,416	\$ 10,764,416	\$ 10,790,509	\$ 986,864	9.2%
Fees and Rental Revenue	11,971,268	11,601,807	11,601,807	10,578,933	369,461	3.2%
Concession Revenue	26,207,719	25,105,911	25,105,911	24,024,375	1,101,808	4.4%
Fuel Sales (net of cost of sales)	30,204	32,000	32,000	28,680	(1,796)	-5.6%
Other System Revenue	4,139,886	3,963,269	3,963,269	4,769,976	176,617	4.5%
	54,100,357	51,467,403	51,467,403	50,192,473	2,632,954	5.1%
<b>Non-Operating Revenue</b>						
Interest Revenue	1,692,056	2,175,000	2,175,000	2,131,937	(482,944)	-22.2%
	1,692,056	2,175,000	2,175,000	2,131,937	(482,944)	-22.2%
<b>Total Revenue (1)</b>	<b>55,792,414</b>	<b>53,642,403</b>	<b>53,642,403</b>	<b>52,324,410</b>	<b>2,150,011</b>	<b>4.0%</b>
<b>Operating Expenses</b>						
Personnel Expenses	31,858,192	30,835,930	30,835,930	27,276,629	1,022,262	3.3%
Contractual/Purchased Services	11,247,874	12,347,139	12,347,139	8,951,053	(1,099,265)	-8.9%
Materials/Supplies	4,816,437	3,421,053	3,421,053	3,166,713	1,395,384	40.8%
Other Operating Expenses	1,937,630	1,903,079	1,903,079	1,407,762	34,551	1.8%
<b>Total Operating Expenses</b>	<b>49,860,133</b>	<b>48,507,201</b>	<b>48,507,201</b>	<b>40,802,158</b>	<b>1,352,932</b>	<b>2.8%</b>
<b>Net Operating Income (1)</b>	<b>5,932,281</b>	<b>5,135,202</b>	<b>5,135,202</b>	<b>11,522,252</b>	<b>797,079</b>	<b>15.5%</b>
<b>Debt Service</b>						
Airport Revenue Bonds (Subordinate Lien) (2)	3,995,966	3,998,174	3,998,174	3,996,652	(2,208)	-0.1%
PFC Payment	(3,995,966)	(3,998,174)	(3,998,174)	(3,996,652)	2,208	-0.1%
Special Reserve Advances	2,916,751	2,900,510	2,900,510	4,013,059	16,241	0.6%
Insurance Reserve Advances	956,829	956,829	956,829	956,829	-	0.0%
<b>Total Debt Service</b>	<b>3,873,580</b>	<b>3,857,339</b>	<b>3,857,339</b>	<b>4,969,888</b>	<b>16,241</b>	<b>0.4%</b>
<b>Fund Transfers</b>						
Operations & Maintenance Reserve	-	1,675,825	1,675,825	1,096,829	(1,675,825)	-100.0%
Capital Improvement Fund	1,824,423	1,654,808	1,654,808	1,576,007	169,615	10.2%
Special Reserve Fund	1,942,163	1,867,320	1,867,320	1,901,925	74,843	4.0%
Maintenance Reserve Fund	2,186,265	1,500,000	1,500,000	500,000	686,265	45.8%
Common Area Major Maintenance Funds	143,722	143,670	143,670	144,010	52	0.0%
Airline Reserve Fund (Dedicated to ASE)	-	(29,549,144)	(29,549,144)	(29,202,237)		
<b>Total Fund Transfers</b>	<b>6,096,573</b>	<b>(22,707,521)</b>	<b>(22,707,521)</b>	<b>(23,983,466)</b>	<b>(745,050)</b>	<b>3.3%</b>
<b>Capital Requirements</b>						
Capital Improvement Projects (CIP)	1,263,000	28,246,269	28,246,269	33,654,907	(26,983,269)	-95.5%
Capital Outlay	5,250,000	3,777,000	3,777,000	1,706,591	1,473,000	39.0%
Capitalized Major Maintenance	824,000	927,634	927,634	996,004	(103,634)	-11.2%
<b>Special Funding Sources</b>						
Capital Improvement Fund	(1,824,423)	(1,654,808)	(1,654,808)	(1,576,007)	(169,615)	10.2%
Special Reserve Fund	-	-	-	-	-	0.0%
Maintenance Reserve Fund	(2,186,265)	-	-	-	(2,186,265)	0.0%
Common Area Major Maintenance Funds	-	-	-	-	-	0.0%
<b>Total Capital Requirements</b>	<b>3,326,312</b>	<b>31,296,095</b>	<b>31,296,095</b>	<b>34,781,495</b>	<b>(27,969,783)</b>	<b>-89.4%</b>
<b>Signatory Landing Fee Requirement (Residual)</b>	<b>\$ 7,364,185</b>	<b>\$ 6,835,826</b>	<b>\$ 7,310,711</b>	<b>\$ 4,245,664</b>	<b>\$ 528,359</b>	<b>7.7%</b>
<b>Landed Weight Signatory Airlines</b>	<b>2,327,267</b>	<b>2,286,229</b>	<b>2,442,078</b>	<b>2,329,200</b>	<b>41,038</b>	<b>1.8%</b>
<b>Calculated Landing Fee</b>	<b>\$ 3.16</b>		<b>\$ 2.99</b>		<b>\$ 0.17</b>	<b>5.7%</b>

**TUCSON AIRPORT AUTHORITY  
FY 2026 MAJOR MAINTENANCE PROGRAM**

<b>PROJECT NUMBER</b>	<b>INITIATIVE</b>	<b>AMOUNT</b>
TBD	Upgrade Terminal Elevator Door Control Equipment	\$235,000
TBD	Fire Department Laundry Area Buildout	\$200,000
20219019	Ryan Maintenance Office Expansion	\$180,000
10220371	Sealcoat GA Area B-1 (TCONDOS-06,07,10)	\$134,000
TBD	Replace Gallery Men's Bathroom Floors	\$75,000
<b>Total Major Maintenance</b>		<b>\$824,000</b>

**TUCSON AIRPORT AUTHORITY  
FY 2026 CAPITAL OUTLAY PROGRAM**

<b>PROJECT NUMBER</b>	<b>INITIATIVE</b>	<b>AMOUNT</b>
TBD	Economy Covered Parking Expansion	\$1,607,000
TBD	Camera Replacement	\$1,100,000
TBD	New terminal sliding doors	\$700,000
10323596	Phase 2 Interior Terminal Signage	\$500,000
TBD	Podiums at Gates	\$300,000
TBD	PARCS Phase 2	\$175,000
TBD	Purchase replacement TAA shuttle bus	\$165,000
10324612	Terminal Seating	\$150,000
10323564	Technology Lifecycle Program – Upgrade Switches	\$154,000
TBD	Breathing Air Compressor - Fire Department	\$75,000
TBD	Aircraft Recovery Dolly's	\$70,000
10395002	Art Purchases	\$50,000
TBD	Medeco Intelligent Key System - Phase 2	\$50,000
TBD	Fire Lake C6-200 Incinerator	\$45,000
TBD	Annex Kitchen Renovation	\$40,000
TBD	TAA Common Use Inserts	\$30,000
TBD	Replace Car Wash Equipment at B-422	\$25,000
TBD	Install Potable Water Cabinet for A2 & A3	\$14,000
<b>Total Capital Outlay</b>		<b><u>\$5,250,000</u></b>

Exhibit D

**TUCSON AIRPORT AUTHORITY  
FY 2026 CAPITAL IMPROVEMENT PROGRAM**

**TUS AIP Projects:**

		<u>Total</u>	<u>Federal</u>	<u>State</u>	<u>PFC</u>	<u>TAA</u>
10119102	ASE Program CMAR GMP #4C IIJA Runway 12R-30L Con Shoulders & Electrical	\$ 6,798,730	\$ 6,190,924	\$ 303,903	\$ 303,903	\$ -
10119102	ASE Program CMAR GMP #4D Runway 12R-30L Con Shoulders & Electrical	61,713,705	56,196,499	2,758,603	2,758,603	-
10124625	Fluorine-Free Foam (F3) Transition	450,000	450,000	-	-	-
<b>TUS AIP Total:</b>		<b>\$ 68,962,435</b>	<b>\$ 62,837,423</b>	<b>\$ 3,062,506</b>	<b>\$ 3,062,506</b>	<b>\$ -</b>

**TUS OTA Projects\*:**

		<u>Total</u>	<u>OTA</u>	<u>State</u>	<u>PFC</u>	<u>TAA</u>
10123546	Checked Baggage Inspection System (CBIS) Environmental Assessment and 100% Final Design	\$ 9,311,000	1,932,264	\$ -	6,628,736	\$ 750,000
<b>TUS ADOT Total:</b>		<b>\$ 9,311,000</b>	<b>\$ 1,932,264</b>	<b>\$ -</b>	<b>\$ 6,628,736</b>	<b>\$ 750,000</b>

**RYN AIP Grant Projects:**

		<u>Total</u>	<u>Federal</u>	<u>State</u>	<u>PFC</u>	<u>TAA</u>
20124622	Realignment- Taxiway Hot Spot Mitigation at Taxiway Bravo: Construction	\$ 4,500,500	\$ 4,275,000	\$ 112,500	\$ -	\$ 113,000
<b>RYN AIP Total:</b>		<b>\$ 4,500,500</b>	<b>\$ 4,275,000</b>	<b>\$ 112,500</b>	<b>\$ -</b>	<b>\$ 113,000</b>
<b>Grant Total:</b>		<b>\$ 82,773,935</b>	<b>\$ 69,044,687</b>	<b>\$ 3,175,006</b>	<b>\$ 9,691,242</b>	<b>\$ 863,000</b>

**TAA Funded Projects:**

		<u>Total</u>	<u>Federal</u>	<u>State</u>	<u>PFC</u>	<u>TAA</u>
20126001	Rehabilitation- Taxiway Delta 1: Construction- PCI 35	\$ 400,000	\$ -	\$ -	\$ -	\$ 400,000
<b>TAA Total:</b>		<b>\$ 400,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 400,000</b>
<b>TOTAL TAA FUNDS NEEDED:</b>						<b>\$ 1,263,000</b>

**Note:**

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

MAJORITY-IN-INTEREST  
LANDED WEIGHTS SUMMARY  
Jul 2024 - Jun 2025  
(Based on 12 Month Period)

AIRLINE	Landed Weight	% of Total	Ranking
American	834,494,776	36.10%	1
Southwest	625,410,700	27.06%	2
United	366,153,573	15.84%	3
Delta	344,372,279	14.90%	4
Alaska	141,137,608	6.10%	5
TOTAL	2,311,568,936	100.00%	

*"Majority-In-Interest" is defined in the "Airport Use Agreement" as follows:  
It shall mean a numerical majority of Signatory Airlines, which numerical majority shall have landed more than 50% of the Total Landed Weight at the Airport in the latest 12 months for which such data is available and which months were not affected by schedule reductions resulting from labor disputes.*

**Exhibit F**

Signatory Airline Majority-In-Interest (MII)\* Voting Ballot  
FY 2026 Budget Items

Project Name	Amount	Yes	No
1. Economy Covered Parking Expansion	\$1,607,000		
2. Access Control System Total Camera Replacement	\$1,100,000		

\* MII CPI Adjusted Threshold is \$768,440

Airline: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

**Exhibit G**

**Tucson International Airport  
General Rates & Charges  
Effective October 1, 2025 – September 30, 2026**

Space/Charge Type	Signatory Rates Effective 10/1/2024	Signatory Rates Effective 10/1/2025	Non- Signatory Rates Effective 10/1/2025	Fee Basis
Landing fee/1	\$2.99	\$3.16	\$3.95	per 1,000 lbs
Ticket counter, kiosk, phone bank	\$100.29	\$102.72	\$128.40	per sq/ft per year
Airline ticket office (ATO)	\$100.29	\$102.72	\$128.40	per sq/ft per year
Baggage makeup	\$33.42	\$34.23	\$42.79	per sq/ft per year
Baggage storage	\$100.29	\$102.72	\$128.40	per sq/ft per year
Operations area	\$85.22	\$87.28	\$109.10	per sq/ft per year
Baggage claim	\$95.11	\$97.41	N/A	per sq/ft per year
TSA EDS Bag Screening Pods/2	\$60.18	\$61.64	N/A	per sq/ft per year
Holdroom per gate/3	\$146,242.87	\$149,781.95	\$187,227.43	per gate per year
Custodial - exclusive space	\$32.58	\$33.36	N/A	per hour
Custodial - exclusive space with supplies	\$35.18	\$36.03	N/A	per hour
TAA-owned jet bridge at leased gate/3	\$4,705.27	\$4,819.14	\$6,023.92	per bridge per month
Aircraft parking position at leased gate/3	\$10,491.99	\$10,745.90	\$13,432.37	per position per year
Ramp scrubber at leased gate/3	\$2,740.83	\$2,807.16	\$3,508.94	per position per year
Terminal Operations Charge/4	N/A	N/A	\$2.84	per enplaned passenger
Non-leased ticket counter use fee	N/A	N/A	\$23.06	per turn per position
Non-leased bag makeup belt use fee	N/A	N/A	\$86.68	per turn
FIS facility fee - international flights	\$1.00	\$1.00	\$1.00	per deplaned passenger
Aircraft parking fees (in non-leased area):				
Remote apron RON	\$87.43	\$89.55	\$111.94	per day, max 10 days/month
Common Use Gates				
Holdroom, apron, support systems (A-1 - ground load only)/5	\$168.93	\$173.02	\$216.28	per turn
Holdroom, apron, support systems, bridge/5	\$228.23	\$233.76	\$292.19	per turn
Prorata security	\$189,525.44	\$194,111.95	N/A	per month
Main bag claim common use - Signatory Airlines/6	\$366,054.61	\$374,906.74	N/A	per month
Main bag claim common use - Non-Signatory Airlines/7	N/A	N/A	2.80	per enplaned passenger
Triturator	\$6.68	\$6.84	\$6.84	per key turn
Wash rack	\$4.00	\$4.10	\$4.10	per key turn

- 1 - Qualifying non-signatory cargo airlines pay the signatory landing fee rate.
- 2 - 8,016 square feet - this charge is included in the prorata security fee
- 3 - For airlines qualifying as low volume carriers and electing to lease one-half of a gate, this rate is reduced by half.
- 4 - Applies only to non-signatory airlines using the main terminal (A and B gates).
- 5 - TURN rates will be charged in 90 minute increments when the flight is operating as a turn between the hours of 8 am and 9 pm.
- 6 - 46,185 square feet. Allocated to signatory airlines on a 90/10 common use formula.
- 7 - Calculated based on average signatory airline cost per enplanement using budgeted signatory enplanements, plus 25% non-signatory premium.

Non-Signatory Premium

**125%** of signatory rates

TUCSON AIRPORT AUTHORITY  
MONTHLY BAGGAGE CLAIM AREA RENTAL CHARGES OCT 2025 - SEP 2026

BASED ON JULY 2024 – JUNE 2025 ENPLANEMENTS

AIRLINE	Enplanements	Percent of Total	90% of Total	10% of Total	Signatory Total
ALASKA *	126,431	6.5%	\$21,897.67	\$7,498.13	\$29,395.80
AMERICAN *	712,529	36.6%	\$123,408.99	\$7,498.13	\$130,907.13
DELTA *	303,391	15.6%	\$52,546.88	\$7,498.13	\$60,045.02
SOUTHWEST	503,979	25.9%	\$87,288.43	\$7,498.13	\$94,786.57
UNITED *	301,816	15.5%	\$52,274.09	\$7,498.13	\$59,772.23

TOTAL Jul-Jun	1,948,146	100%	\$ 337,416.07	\$37,490.67	\$ 374,906.74
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Combined Total from 90% and 10% columns

\$374,906.74

\*NOTE: Operating Affiliate airline enplanements have been added to the mainline carriers' enplanement totals.

BAG CLAIM AREA IS BASED ON 46,185 SQ FT MULTIPLIED BY \$97.41 PER SQ FT PER YEAR AT SIGNATORY RATES. ANNUAL CHARGE EQUALS \$4,498,880.85; MONTHLY CHARGE EQUALS \$374,906.74 PRORATED AS FOLLOWS: 10% DIVIDED EQUALLY AMONG USERS AND 90% APPORTIONED AMONG USERS SO THAT EACH PAYS THE PRORATED PERCENTAGE OF ITS ENPLANEMENTS TO THE TOTAL COMPUTED FOR TWELVE MONTHS ENDING THE FIRST OF JULY.

NON-SIGNATORY USE OF THE BAG CLAIM WILL BE ASSESSED AT A RATE OF \$2.80 PER ENPLANED PASSENGER, CALCULATED BY DIVIDING THE ANNUAL BAG CLAIM RENT OF \$4,498,880.85 BY THE NUMBER OF BUDGETED ENPLANED SIGNATORY PASSENGERS 2,008,800 TO ARRIVE AT AN AVERAGE SIGNATORY BAG CLAIM COST OF \$2.24. THE NON-SIGNATORY PERMIUM OF 25% IS APPLIED TO THIS RATE TO ARRIVE AT \$2.80.