



**NOTICE AND AGENDA OF MEETING OF THE
PHOENIX-MESA GATEWAY AIRPORT AUTHORITY
BOARD OF DIRECTORS**

Pursuant to A.R.S. § 38-431.02, notice is hereby given to the members of the Phoenix-Mesa Gateway Airport Authority and to the public that the Phoenix-Mesa Gateway Airport Authority will hold a meeting open to the public on **Tuesday, October 15, 2024 beginning at 9:00 a.m.** in the Board Room (Saguaro A & B) of the Gateway Administration Building, 5835 South Sossaman Road, Mesa, Arizona. Members of the Phoenix-Mesa Gateway Airport Authority may attend either in person or by audioconference. The Board may vote to hold an executive session for the purpose of obtaining legal advice from the Board's attorney on any matter listed on the agenda pursuant to A.R.S. § 38-431.03 (A)(3)&(4).

The agenda for the meeting is as follows:

1. **Call to Order** (Mayor Julia Wheatley, Chair)
Members of the Phoenix-Mesa Gateway Airport Authority will attend either in person or via videoconference.
2. **Roll Call** (Mayor Julia Wheatley, Chair)
3. **Pledge of Allegiance**
4. **Motion to convene into Executive Session**
 - a) Pursuant to A.R.S. § 38-431-03 (A)(1), the Board of Directors may convene into executive session for the purpose of discussion and consideration regarding the Executive Director/CEO's annual review.
5. **Motion to reconvene into Regular Session**
6. **Call to the Public**
Members of the Board may not discuss items that are not on the agenda. Therefore, action taken as a result of public comment will be limited to directing staff to study the matter or scheduling the matter for further consideration and decision at a later date. Maximum of three minutes per speaker.
7. **Executive Director's Report** - J. Brian O'Neill, A.A.E., Executive Director/CEO
8. **Audited Financials Report** – Jean Dietrich, Principal CliftonLarsonAllen,
9. **Consent Agenda**
 - a) **Minutes** of the Board Meeting held on **August 20, 2024**.
 - b) **Resolution No. 24-50** – Approving a tenth amendment to the **Executive Director's** employment agreement effective October 1, 2024.
 - c) **Resolution No. 24-51** – Authorizing a purchase with **CDW Government LLC (CDW)** for annual Microsoft licensing renewals, in an amount not to exceed \$57,222.13.
 - d) **Resolution No. 24-52** – Authorizing Phoenix-Mesa Gateway Airport Authority's (PMGAA's) insurance broker, **USI Insurance Services LLC**, to purchase benefit plans (medical, dental, vision, basic life/accidental death & dismemberment, and short-term disability) from various carriers. This

consists of a 12-month renewal January 1, 2025 through December 31, 2025 with an estimated plan cost of \$1,296,557.

- e) **Resolution No. 24-53** – Authorizing an increase in spending for Air Service Development Consulting Services with **Mead & Hunt, Inc. (Mead & Hunt)**, in an amount not-to-exceed \$90,000 for the remainder of the contract for a total not-to-exceed amount of \$140,000.
- f) **Resolution No. 24-54** – Authorizing the purchase of one new 7,000-gallon aircraft refueler from **SkyMark Refuelers, LLC (SkyMark)** in an amount not to exceed \$373,961.40.
- g) **Resolution No. 24-55** – Authorizing a contract for the Roof Coating Phase 2 Project with **Jim Brown and Sons Roofing Co., Inc., dba JBS Roofing (JBS)**, to complete roof repairs and recoating on a number of PMGAA owned facilities, in an amount not to exceed \$175,983.49 under CIP1262.
- h) **Resolution No. 24-56** – Authorizing the Executive Director/CEO and/or delegate to negotiate, and for the Executive Director/CEO to execute a Facility Lease with **Top Aces Corp.** for the property located at 6229 South Sossaman Road, Mesa, AZ 85212 with an Effective Date of November 1, 2024. The Term for this agreement is two (2) years, terminating on October 31, 2026, with three (3), one-year (1) options to renew; with an Initial Term Lease Rate of \$332,835 annually.

Consideration and Possible Approval of:

- 10. **Resolution No. 24-57** – Authorizing the Fifth Amendment to the Master Development Agreement with **Mesa SkyBridge, LLC** to modify infrastructure and development phasing and to authorize an Amendment to the Master Lease with Mesa SkyBridge, LLC to establish a flat percentage annual increase in base rent instead of triennial CPI adjustments and updated the Development Lease template.

11. Board Member Comments/Announcements

12. Next Meeting: Tuesday, November 19, 2024 at 9:00 a.m.

13. Adjournment

Persons with a disability may request a reasonable accommodation, such as a sign language interpreter, by contacting Misty Johnson at 480-988-7607 or mrjohnson@gatewayairport.com. Requests should be made as early as possible to allow time to arrange the accommodation.



- Phoenix-Mesa Gateway Airport Authority's Fiscal Year 2024 Review
- Record Summer Travel at Phoenix-Mesa Gateway Airport
- PMGAA Meets with Congressional Delegation and FAA in Washington, DC
- Developer Breaks Ground on Gateway Commerce Center III Project
- Center Runway Mill and Overlay Complete; New LED Lights Installed
- Certified Therapy Alpacas Mingle with Passengers in Airport Terminal

Executive Director's Report

October 2024



XNRGY Climate Systems 275,000 Sq. Ft. Manufacturing Facility and U.S. Headquarters

Phoenix-Mesa Gateway Airport Authority's Fiscal Year 2024 Review

Phoenix-Mesa Gateway Airport (Airport, Gateway Airport) is the envy of airports across the country. In recent years, the Airport has received significant federal entitlement, discretionary, and Bipartisan Infrastructure Law (BIL) grants and State of Arizona funding to construct an air traffic control tower, five-gate 30,000 sq. ft. terminal addition, enclosed terminal connector walkway, and several important airfield infrastructure improvement projects. The Airport has also attracted more than one million square feet of private development, representing thousands of high wage jobs and hundreds of millions of dollars in regional economic impact.

The information that follows is intended to highlight many of Phoenix-Mesa Gateway Airport Authority's (PMGAA, Authority) accomplishments during the twelve-month period of Fiscal Year 2024 (FY24).

Summary of FY24 PMGAA Organizational Achievements

- Airport Activity
 - Achieved second-best year of passenger activity – 1,839,977 total passengers
 - Allegiant added nonstop service to Portland, OR
 - Sun Country returned for the winter season with nonstop service to Minneapolis, MN
 - Continued airline recruitment efforts, meeting with current and prospective airlines during the year
 - Staff attended NBAA-BACE, MRO Americas, Allegiant Airports Conference, Mead & Hunt Air Service Conference, and 2024 Take-Off North America Air Service Conference
 - Celebrated Airport's twenty-millionth passenger
 - DSV completed scheduled weekly international air cargo flights using B-747 aircraft
- Achieved strong FY24 financial performance - \$4,125,732 in net operating revenue and surpassed \$30 million (\$31,399,432) in operating revenue for the first time
- Successfully completed FY24 FAA Part 139 Certification Inspection with no findings
- Successfully completed FY24 TSA Security Inspection with no findings
- Received clean FY24 Independent Financial Audit
- Assisted in passage of Military Reuse Zone legislation and FAA Reauthorization Pilot Program establishing a process for contract towers to become FAA towers
- Expanded A.V.I.A.T.O.R. Terminal Volunteer Program
- Created PMGAA Employee Customer Service Training Program
- Expanded social media presence and improved Airport website
- PMGAA Featured in *Airport Improvement* magazine and *Phoenix Business Journal*
- Completed Gateway Tomorrow East Side Terminal Planning Study
- PMGAA Construction Projects:
 - Completed Runway 12C-30C mill and overlay project
 - Completed construction of 5-gate, 30,000 sq. ft. passenger terminal addition
 - Completed construction of enclosed terminal connector walkway
 - Completed construction of 250,000 sq. ft. Alpha Apron Phase IV expansion
 - Completed construction of 150,000-gallon Fuel Farm expansion
 - Completed construction of Rental Car Care Facility improvements
 - Completed new terminal counter for Avis Budget Group

- Demolished 13 aging Airport structures and readied 10-acre aeronautical redevelopment opportunity
- Removed Airport Surveillance Radar (ASR) Facility
- Began reconstruction of Runway 12R-30L (Phase I)
- Began reconstruction of a portion of Taxiway Whiskey
- Designed new Airport entrance monument sign for intersection of Ray and Sossaman Roads
- Continued design of new TSA in-line checked baggage screening system and facility
- City of Mesa completed first 1,000 feet of Gateway Blvd and east side utility infrastructure
- Private Development Projects:
 - SkyBridge Arizona Master Development (Mesa SkyBridge, LLC)
 - Completed construction of two 250,000 sq. ft. industrial buildings
 - Completed construction of several interior public roadways and utility infrastructure
 - Gateway East Master Development (The Boyer Company, LC)
 - Began construction of 275,000 sq. ft. XNRGY Climate Systems U.S. Headquarters and manufacturing facility
 - Constructed Aviation Way, Technology Ave., and other portions of internal roadway system
 - Virgin Galactic – Nearing completion of 35,000 sq. ft. hangar and 115,000 sq. ft. manufacturing facility
 - Gulfstream Aerospace Corp.
 - Nearing completion of 225,000 sq. ft. West Coast Service Center
 - Hired more than 250 local employees
 - Gateway Commerce Center III – Completed design, permitting, and began construction on two industrial buildings totaling approximately 98,000 sq. ft.
 - Terminal Concessions - Opened First Jet Market in the new five-gate, 30,000 sq. ft. commercial passenger terminal addition

Financial Snapshot

OPERATING INCOME	August		Month Variance	FYTD Comparison		FYTD Variance
	2023	2024		FY24	FY25	
Revenues	\$2,384,970	\$2,349,504	(\$35,466)	\$5,090,592	\$5,399,747	\$309,155
Less Expenses	\$2,049,575	\$2,176,926	\$127,351	\$3,975,245	\$4,416,310	\$441,065
Operating Income <i>(Before Depreciation)</i>	\$335,395	\$172,578	(\$162,817)	\$1,115,347	\$983,437	(\$131,910)

Investment Fund Balances: As of August, the Local Governmental Investment Pool (LGIP) 700 = \$6,558,286; Wells Fargo; Collateralized Money Market = \$9,036,188 and Commercial/Paper Brokered CD’s = \$53,216,954; Total \$68,811,428. PMGAA invests in fixed rate instruments.

Finance and Accounting

PMGAA reported a net operating income of \$172,578 for August 2024, compared to \$335,395 in August 2023. August aeronautical revenues decreased by 5%, primarily due to a decrease in U.S. Forest Service and military activity. August non-aeronautical revenues increased by 5%, with rental car fees up by 25%.

Operating expenditures for August increased by 6% and totaled \$2,176,926. The increase is attributed to the increased Aviation Fuel – Cost of Goods Sold due to increased fuel sales during the month.

Fiscal-year-to-date 2025 (FYTD25) operating expenditures are 3% below budget.

Active/Pending Solicitations

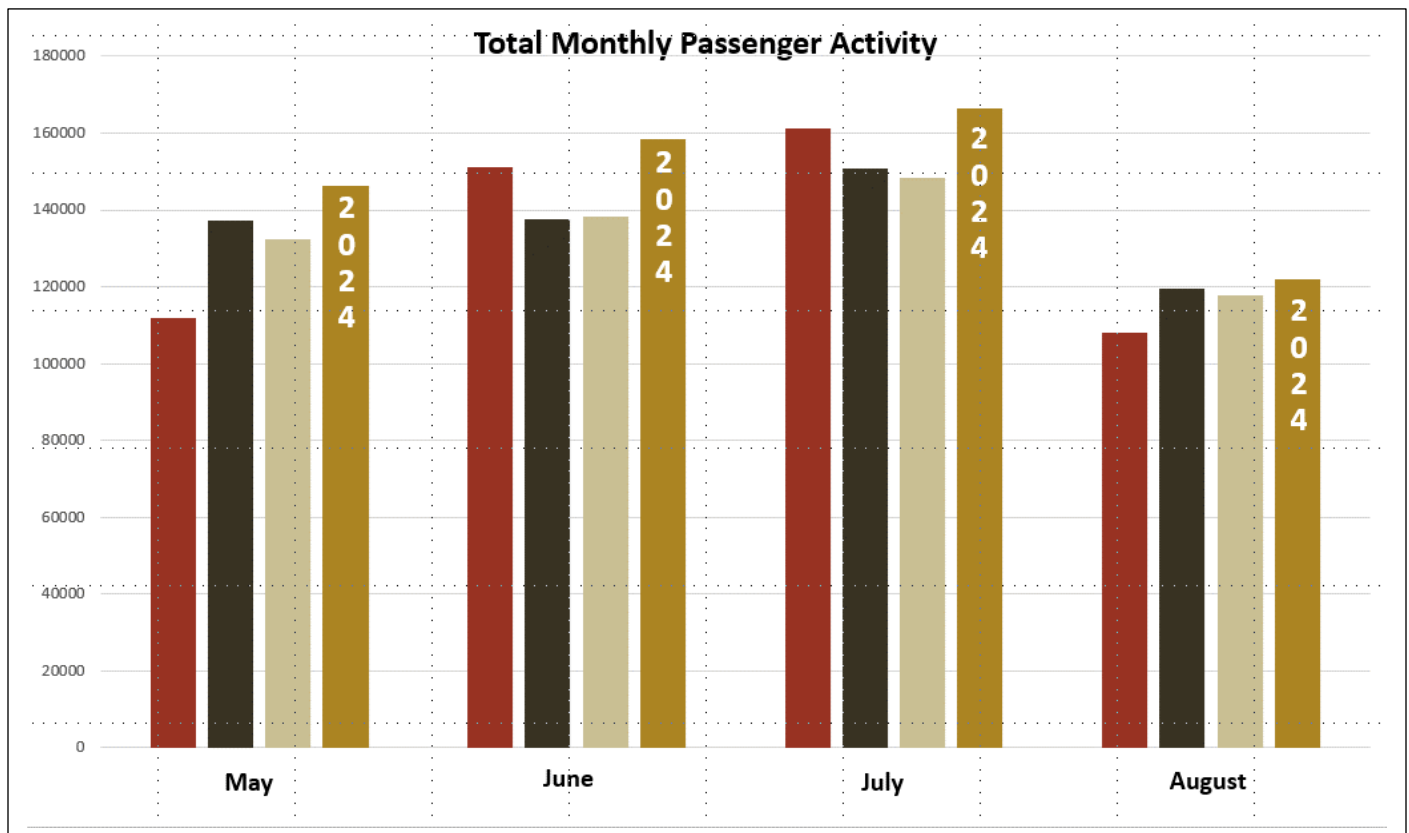
TYPE OF SOLICITATION	Number	Title	Anticipated Contract Award
Request for Qualifications	2025-001-RFQ	CMAR for Baggage Make-up	October 2024
Request for Proposals	2025-002-RFP	7,000 Gallon Aircraft Refueler	October 2024
Request for Qualifications	2025-003-RFQ	South Ramp Aeronautical Development	March 2025

Future Solicitations

TYPE OF SOLICITATION	Number	Title	Scheduled for Release
Request for Proposals	2025-004-RFP	Airport Website Redesign	January 2025

Airport Operations

Record Summer Travel at Phoenix-Mesa Gateway Airport



More and more greater Phoenix residents and sun-seeking visitors from across the country are discovering the ease, convenience, and value of using Gateway Airport when they travel. The number of travelers flying through the Airport this summer has set a new record, with 2024 marking the busiest May to August period ever at the Airport. 593,231 passengers came through the Airport during this time period, a 9% increase over the previous summer season record set in 2022.

PASSENGER COUNTS		August		% Change	FYTD		% Change
		2023	2024		FY24	FY25	
Passengers	TOTAL	117,609	122,066	4%	266,014	288,335	8%
	Deplaned	58,880	61,389	4%	133,700	146,825	10%
	Enplaned	58,729	60,677	3%	132,314	141,510	7%
Allegiant	Scheduled	117,489	121,908	4%	265,894	288,177	8%
Sun Country	Scheduled	120	158	32%	120	158	32%

OPERATIONS	August		% Change	FYTD		% Change
	2023	2024		FY24	FY25	
Air Carrier	829	798	-4%	1,680	1,903	13%
Military	163	79	-52%	349	180	-48%
General Aviation	19,925	24,104	21%	35,706	46,318	30%
TOTAL	20,917	24,981	19%	37,735	48,401	28%

Community Noise Report

CALLERS	August		FYTD	
	2023	2024	FY24	FY25
Total	7	5	17	12

AIRCRAFT TYPE	August		FYTD	
	2023	2024	FY24	FY25
	Callers	Callers	Callers	Callers
Commercial	5	1	14	4
GA Total	2	4	3	8
Helicopter	0	0	0	0
Military	0	0	0	0
Total	7	5	17	12

LOCATION	August		FYTD	
	2023	2024	FY24	FY25
Mesa	4	1	6	3
Gilbert	3	3	6	4
Gold Canyon	0	0	0	0
Queen Creek	0	0	4	1
Queen Valley	0	1	1	2
Apache Junction	0	0	0	0
San Tan Valley	0	0	0	1
Chandler	0	0	0	0
Florence	0	0	0	1
Goodyear	0	0	0	0
Phoenix	0	0	0	0
Tempe	0	0	0	0
TOTAL	7	5	17	12

PMGAA received communications from a total of five individuals regarding aircraft noise issues during the month of August 2024, compared to seven individuals last August.

Gateway Aviation Services

PMGAA pumped approximately 1.21MM gallons of aviation fuel during the month of August 2024, a 6% increase compared to the 1.14MM gallons dispensed last August.

FUEL (Gallons)	August			FYTD		
	2023	2024	% Change	FY24	FY25	% Change
AvGas	29,712	46,105	55%	56,272	88,630	58%
Retail Jet A	47,427	68,230	44%	93,266	147,936	59%
Contract	347,572	228,784	-34%	828,781	589,009	-29%
Commercial	716,370	865,738	21%	1,671,967	2,128,704	27%
Cargo	3,409	2,485	-27%	3,409	2,485	-27%
TOTAL	1,144,490	1,211,342	6%	2,653,693	2,956,764	11%

Business Development

Developer Breaks Ground on Gateway Commerce Center III Project



Located at the intersection of Sossaman Road and Velocity Way, Gateway Commerce Center III is a private development project comprised of two mid-sized industrial building totaling approximately 98,000 sq. ft. The developer has worked with PMGAA and the City of Mesa to enhance both the design of the structures and property landscaping.

Gateway Commerce Center III is scheduled to be complete in fall 2025.

Engineering, Planning, and Facilities

Center Runway Mill and Overlay Complete: New LED Lights Installed

Thanks to an approximately \$4MM FAA BIL grant, PMGAA milled and overlaid its center runway, Runway 12C-30C, and replaced older runway lighting with new LED lights.

The Airport has three 10,000-ft. runways to continually improve and maintain. PMGAA couldn’t keep its airfield in such good condition without strong support from the FAA and the State of Arizona.



Communications and Government Relations

PMGAA Meets with Congressional Delegation and FAA in Washington, DC



PMGAA Delegation with U.S. Sen. Mark Kelly

Mesa Mayor and PMGAA Board member John Giles recently led a delegation of PMGAA and City of Mesa officials to Washington, DC to meet with members of Arizona's Congressional Delegation and the FAA. Their mission, offer PMGAA's assistance and expertise to the FAA in creating a pilot program that would establish a pathway for eligible contract air traffic control towers like Gateway Airport to become FAA-controlled towers.

Thanks to earlier efforts by the Authority, the City, and the Delegation, a provision was included in the most recent FAA Authorization legislation to create the pilot program, clearing the way for Gateway Airport to apply and compete to become an FAA-controlled air traffic control tower.

PMGAA TEAM MEMBER SPOTLIGHT

Employee Name: Mitch Johnson
Employee Title: Airfield Critical Systems Electrician
PMGAA Department: Operations, Security, and Maintenance
Years with PMGAA: 6.5+ Years



What are your job responsibilities for PMGAA? I am part of the Critical Systems Team which maintains, repairs, and does installations on the airfield lighting systems, navigational aids, emergency generators, tower, and the transmitter site.

What is your most memorable Gateway Airport moment? I have many memorable moments at Gateway, two of them that stand out the most are being apart of the new tower, and transmitter site projects. Those are both rare opportunities, which I am very grateful to have been involved in.

What is something people may not know about you? From age 4-8 I lived on a Navajo Indian reservation; there I developed a passion for artwork because on my exposure to some very talented Indian children in school. As a result of that I had my own art business for about 10 years, which I mainly reproduced my oil painting into canvas giclee prints, framed them and sold them to two chain stores.

Certified Therapy Alpacas Mingle with Customers in Airport Terminal



Kip and Napoleon Meeting Airport Passengers in the Terminal

Air travel can often be a stressful experience for some people. The thought of getting to the airport on time, parking, checking in, going through security screening, and boarding the aircraft can often create angst and uneasy feelings.

What better way to calm your nerves than with a couple of friendly alpacas dressed up as commercial pilots? Meet Kip and Napoleon, two Arizona Goat Yoga therapy alpacas that visited Gateway Airport on September 18th. These cute Airport Ambassadors were a huge hit with passengers, “meeters & greeters”, and Airport company employees. The theme of the day’s event was **Alpaca Your Bags and Get Away to One of Allegiant’s 45 Nonstop Destinations from Gateway Airport!**



Don't forget to get your Real ID/Travel ID Compliant Arizona Driver's License before the May 7, 2025 Deadline!



Looking to escape the lingering summer heat? Book a flight on Allegiant, and go hiking in Portland, Oregon!

PHOENIX-MESA GATEWAY AIRPORT AUTHORITY
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2024

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Phoenix-Mesa Gateway Airport Authority
Mesa, Arizona

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of Phoenix-Mesa Gateway Airport Authority (PMGAA), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise PMGAA's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of PMGAA, as of June 30, 2024, and the changes in financial position, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of PMGAA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about PMGAA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of PMGAA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about PMGAA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of PMGAA's proportionate share of the net pension and OPEB liability and contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the schedule of revenues and expenditures (budgetary basis) but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2024, on our consideration of PMGAA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of PMGAA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering PMGAA's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Phoenix, Arizona
September 30, 2024

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REQUIRED SUPPLEMENTARY INFORMATION

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**PHOENIX-MESA GATEWAY AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2024**

The management of Phoenix-Mesa Gateway Airport Authority (PMGAA) offers readers this overview and analysis of PMGAA's financial statements and activities for the fiscal year ended June 30, 2024.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of PMGAA exceeded the liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$388.5 million (net position). Total net position increased by \$22.6 million during the fiscal year.
- PMGAA's operating revenues increased \$0.9 million (2.9%) from the prior fiscal year.
- During the current year, member governments contributed \$4.06 million to PMGAA. These contributions were utilized to fund capital projects at PMGAA.
- Capital Grants and Contributions decreased \$12.1 million from the previous year as PMGAA close out several grant funded projects in the current year.
- Investment income increased \$1.9 million (83%) from the prior year as a result of a favorable interest rate environment for PMGAA's investments.
- PMGAA's operations resulted in a net operating loss of \$11.6 million for the fiscal year. This loss is attributable to non-cash depreciation expense on assets. These assets were contributed by the federal government, acquired with the aid of grants, or constructed using contributions from PMGAA's member governments or PMGAA's own operating reserves.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to PMGAA's basic financial statements. PMGAA's basic financial statements are divided into four sections:

1. Fund financial statements.
2. Notes to the basic financial statements.
3. Required supplementary information other than MD&A.
4. Other information.

As PMGAA presents only one fund type, separate government-wide financial statements have not been prepared.

Fund financial statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. Like other state and local governments, PMGAA uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Unlike most other governments, which have multiple funds, all PMGAA's activities are business-type activities and are accounted for in a single proprietary fund.

Proprietary funds. PMGAA maintains its accounting records in a single enterprise fund. An enterprise fund is a type of proprietary fund used to report business-type activities.

The proprietary fund financial statements can be found on pages 11 - 14 of this report.

**PHOENIX-MESA GATEWAY AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2024**

The *statement of net position* presents information on PMGAA's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference being shown as net position.

The *statement of revenues, expenses and change in net position* presents information on how PMGAA's net position changed during the fiscal year.

All changes in net position are reported as soon as the underlying events giving rise to the changes occur, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The *statement of cash flows* presents PMGAA's cash flow (sources and uses) related to operating activities, non-capital financing activities, capital financing activities, and investing activities during the year.

Notes to Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the fund financial statements. The notes to basic financial statements can be found on pages 15 - 39 of this report.

Required Supplementary Information other than MD&A

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information related to PMGAA's pension plan as required by the GASB to supplement information found in the notes to the basic financial statements. These schedules are included on pages 40 - 43 of this report.

Other Information

PMGAA annually prepares a full capital and operating budget, which is submitted to the Board of Directors for approval during the spring of each year. Although the budget is not legally binding, it is an important management tool used throughout the fiscal year. During the fiscal year, actual activity is compared to the budget on a monthly basis to assess operating results.

Budget to actual results for the full year, presented on a budgetary basis, are included as other information on page 44 of this report.

**PHOENIX-MESA GATEWAY AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2024**

FINANCIAL ANALYSIS

Net position represents the accrued results of a government's operations and, over time, increases or decreases in net position may serve as a useful indicator of whether PMGAA's financial position is improving or deteriorating. At the end of the fiscal year, PMGAA's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$388.5 million.

Airports are capital-intensive enterprises. 83.6% of PMGAA's net position is invested in capital assets (net of any outstanding debt used to acquire those assets).

PMGAA uses these assets to provide aviation access and services to the flying public and the surrounding communities, consequently these assets are not available for future spending. Although PMGAA's investment in its capital assets is reported net of related debt, the resources needed to pay such debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Certain of PMGAA's funding sources impose external restrictions upon the use of funds. In the event that PMGAA has unspent restricted resources, this balance is reported as restricted net position and is not available for use to meet ongoing obligations. PMGAA ended the current year with no unspent restricted resources, and therefore reports no restricted net position.

The remaining balance of unrestricted net position (16.4%) may be used to meet PMGAA's ongoing obligations.

The table below presents a summary of PMGAA's net position for the fiscal years ended June 30, 2024 and 2023 respectively.

	Business-Type Activities	
	2024	2023
ASSETS		
Current and Other Assets	\$ 79,220,426	\$ 82,211,422
Noncurrent Assets	353,745,444	332,126,185
Total Assets	<u>432,965,870</u>	<u>414,337,607</u>
DEFERRED OUTFLOWS OF RESOURCES	1,357,764	1,560,941
LIABILITIES		
Current and Other Liabilities	6,095,969	10,902,447
Long-Term Liabilities	24,238,313	24,955,164
Total Liabilities	<u>30,334,282</u>	<u>35,857,611</u>
DEFERRED INFLOWS OF RESOURCES	<u>15,533,480</u>	<u>14,230,741</u>
NET POSITION		
Net Investment in Capital Assets	324,839,831	305,159,251
Unrestricted	63,616,041	60,650,945
Total Net Position	<u>\$ 388,455,872</u>	<u>\$ 365,810,196</u>

Net position increased by \$22.6 million (6.2%) from the previous fiscal year-end driven by increases in fueling operations and airport usage fees as a result of expanded aviation activity.

**PHOENIX-MESA GATEWAY AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2024**

Net investment in capital assets increased \$19.7 million from the prior year as the acquisition of new assets exceeded depreciation in the current year and PMGAA continued to pay down debt.

Unrestricted net position increased \$3.0 million from the prior year as the growth in operating revenues exceeded the growth in expenses.

The table below presents the significant elements of revenue and expenses for PMGAA comparatively for the current and prior fiscal year.

	Business-Type Activities	
	2024	2023
REVENUES		
Charges for Sales and Services	\$ 25,530,606	\$ 24,565,407
Lease Income	5,800,508	5,889,849
Capital Grants and Contributions	25,375,473	37,523,747
Other	10,364,661	8,602,992
Total Revenues	67,071,248	76,581,995
EXPENSES		
Cost of Sales	5,343,774	5,131,232
Other Operating Expenses	22,092,210	20,620,035
Depreciation	15,513,965	16,558,213
Non-Operating Expenses	1,475,623	744,706
Total Expenses	44,425,572	43,054,186
CHANGE IN NET POSITION	22,645,676	33,527,809
Net Position - Beginning of Year	365,810,196	332,282,387
NET POSITION - END OF YEAR	\$ 388,455,872	\$ 365,810,196

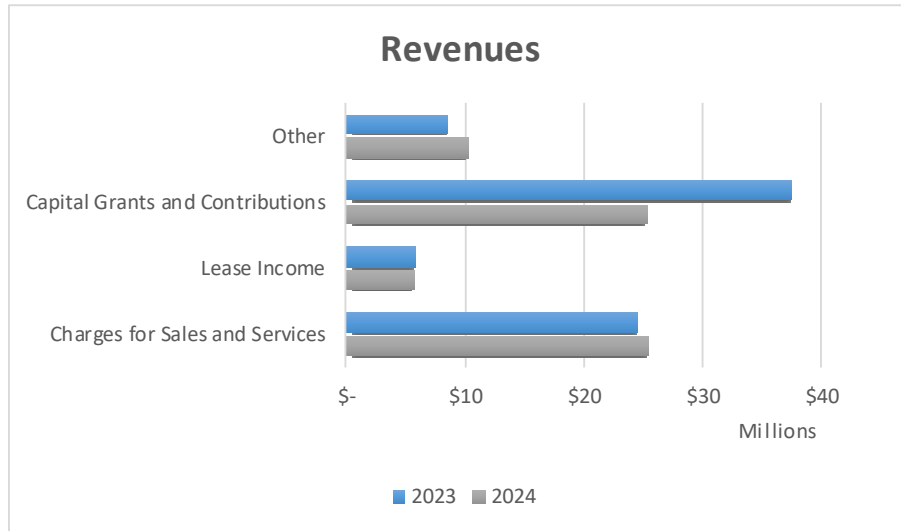
Revenues

Overall revenues declined \$9.5 million from the previous fiscal year. This decline in revenues was substantially the result of a \$12.1 million decline in capital grants and contributions from the previous year. As PMGAA completed several large projects in the current year, including the construction of a new terminal south concourse and pedestrian walkway along with the reconstruction of portions of a runway, capital contributions decreased with the conclusion of these projects.

Increases in airport usage fees (\$0.6 million) and fueling operations (\$0.4 million), driven by increased private and military user activity at the airport, help to offset the declines in capital contributions. Additionally, PMGAA saw a significant increase (\$1.9 million) in investment income from the previous year, benefiting from a strong interest rate environment.

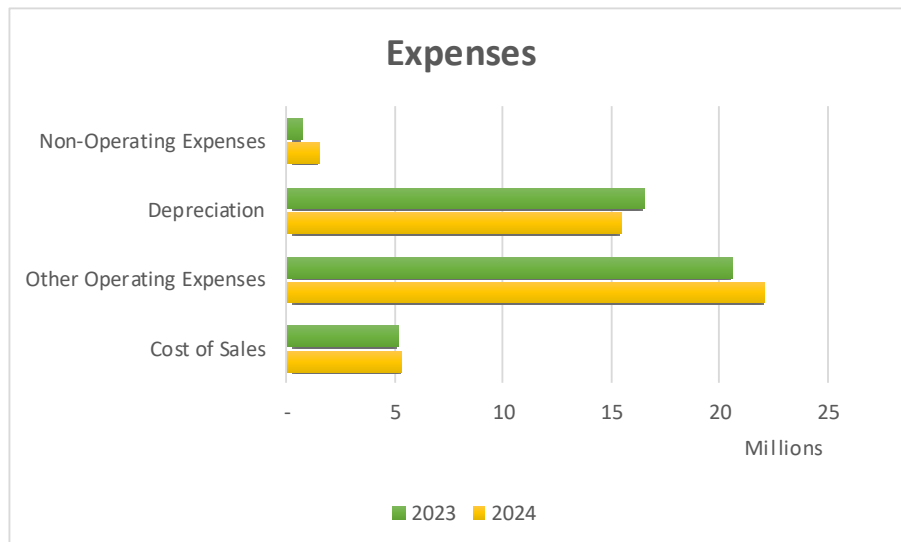
Lease interest income (\$0.7 million) recognized by PMGAA in the current year represents imputed interest reported in accordance with GASB Statement No. 87 *Leases*, was consistent with the previous year as was lease income generally.

**PHOENIX-MESA GATEWAY AIRPORT AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2024**



Expenses

PMGAA’s expenses excluding depreciation increased \$1.7 million (6.5%) over the prior year, with significant increases in personnel costs, professional services, and utilities. Increases in professional services (\$0.6 million), and utilities (\$0.2 million) were driven by higher costs for services and utilities due to increased activity and the expansion of PMGAA facilities. Increases in personnel costs (\$1.2 million) reflect market driven pay increases to remain competitive and retain talent. PMGAA’s overall expenses increased only \$0.6 million (1.5%) aided by a substantial reduction in depreciation expense (\$1.0 million) as older assets became fully depreciated and new assets brought in service did not have full year depreciation. Depreciation expense is expected to increase in future periods as new assets are placed in service.



**PHOENIX-MESA GATEWAY AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2024**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets

At June 30, 2024, PMGAA's capital assets totaled \$339.0 million (net of accumulated depreciation). Capital assets include land; runways, taxiways, and apron areas; buildings; improvements; machinery, vehicles, equipment, and software. A large majority of these assets were contributed to PMGAA directly or were purchased with the aid of federal and state grants.

The table below summarizes PMGAA's capital assets (net of accumulated depreciation) by major asset class as of June 30, 2024 and 2023, respectively:

	Business-Type Activities	
	2024	2023
Land	\$ 91,188,500	\$ 91,188,500
Construction in Progress	10,584,822	84,456,847
Buildings & Improvements	99,097,319	36,797,429
Infrastructure	128,761,219	98,521,826
Machinery & Equipment	9,358,388	7,599,257
	<u>\$ 338,990,248</u>	<u>\$ 318,563,859</u>

Major capital asset events during the current fiscal year included the following:

- Construction of new Terminal Concourse (\$14.6 million)
- Construction of new Pedestrian Walkway (\$3.8 million)
- Rental Car Care Facility Construction (\$8.2 million)
- Reconstruction of Taxiway Circle (\$0.4 million)
- Replacement of Fire Suppression Pumps (\$0.3 million)

Additional information on PMGAA's capital assets may be found in the notes to the basic financial statements in Note 3.A.4 and 3.B.

Long-term debt

At the end of the current fiscal year, PMGAA had total debt outstanding of \$14.3 million. Payments on PMGAA's outstanding special facilities revenue bonds are funded through lease payments from the City of Mesa, Arizona, and secured via pledged excise tax revenue by the City of Mesa through its lease and financing agreement with PMGAA.

Overall, PMGAA's outstanding debt decreased \$0.6 million from the prior fiscal year due to regularly scheduled principal payments.

**PHOENIX-MESA GATEWAY AIRPORT AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2024**

The following schedule shows the outstanding debt of PMGAA as of June 30, 2024 and 2023.

Additional information on PMGAA’s long-term debt may be found in the notes to the basic financial statements in Note 3.C.

	Business-Type Activities	
	2024	2023
Special Facility Revenue Bonds	\$ 14,340,000	\$ 14,915,000
Unamortized Premium on Bonds	366,032	392,177
	\$ 14,706,032	\$ 15,307,177

ECONOMIC FACTORS

PMGAA depends on annual contributions from its member governments to cover some of its capital costs. This makes PMGAA susceptible to downturns in the economy and other difficulties that could affect member governments’ abilities to provide this annual funding. However, member government support of this kind has been consistent over the last several years.

With PMGAA’s largest fueling customers being the government and commercial airlines, a significant portion of fueling revenue depends on continuation of military activity and commercial passenger operations.

PMGAA also depends on capital grants, mostly from the FAA and the Arizona Department of Transportation (ADOT), to continue its current level of capital improvement and renewal programs.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of PMGAA’s finances for all those who are interested. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Phoenix-Mesa Gateway Airport Authority, 5835 S. Sossaman Road, Mesa, AZ 85212.

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BASIC FINANCIAL STATEMENTS

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PHOENIX-MESA GATEWAY AIRPORT AUTHORITY
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2024

	Business-type Activities Proprietary Fund
ASSETS	
Current Assets:	
Cash and Investments	\$ 69,576,596
Accounts Receivable, Net	2,060,603
Due from Other Governments	2,251,164
Lease Receivable	1,237,681
Prepaid Costs	689,977
Inventory	195,560
Restricted Assets:	
Cash with Fiscal Agent	36,162
Cash with Trustee	1,327,973
Customer Deposits	1,844,710
Total Current Assets	79,220,426
Noncurrent Assets:	
Lease Receivable	14,436,207
Net OPEB Asset	318,989
Capital Assets:	
Non-Depreciable	101,773,322
Depreciable, Net	237,216,926
Total Noncurrent Assets	353,745,444
Total Assets	432,965,870
DEFERRED OUTFLOWS OF RESOURCES	
Pension and OPEB	1,357,764
Total Deferred Outflow of Resources	1,357,764
LIABILITIES	
Current Liabilities:	
Accounts Payable	2,085,014
Accrued Liabilities	541,217
Unearned revenue	1,028
Current Liabilities Payable from Restricted Assets:	
Customer Deposits	1,844,710
Interest Payable	358,500
Current Portion of Long-Term Liabilities:	
Bonds and Loans Payable	605,000
Compensated Absences	660,500
Total Current Liabilities	6,095,969
Noncurrent liabilities:	
Bonds and Loans Payable	14,101,032
Compensated Absences	572,789
Net Pension and OPEB Liability	9,564,492
Total Noncurrent Liabilities	24,238,313
Total Liabilities	30,334,282
DEFERRED INFLOWS OF RESOURCES	
Pension and OPEB	566,840
Leases	14,966,640
Total Deferred Outflow of Resources	15,533,480
NET POSITION	
Net Investment in Capital Assets	324,839,831
Unrestricted	63,616,041
Total Net Position	\$ 388,455,872

See accompanying Notes to Basic Financial Statements.

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PHOENIX-MESA GATEWAY AIRPORT AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2024

	Business-type Activities Proprietary Fund
OPERATING REVENUES	
Fueling Operations	\$ 13,584,148
Lease Income	5,800,508
Maintenance Services	359,417
Airport Usage Fees	11,587,041
Total Operating Revenues	31,331,114
OPERATING EXPENSES	
Personnel Costs	11,416,344
Professional Services	6,843,458
Cost of Goods Sold - Fueling Operations	5,268,500
Cost of Goods Sold - Maintenance Services	75,274
Repair and Maintenance	771,246
Utilities	1,087,068
Insurance	638,960
Other Expense	1,335,134
Depreciation	15,513,965
Total Operating Expenses	42,949,949
Operating Loss	(11,618,835)
NONOPERATING REVENUE (EXPENSES)	
Investment Income	4,083,440
Lease Interest Income	684,422
PFC Income	4,175,776
CFC Income	1,331,757
Other Income	8,004
Loss from Disposition of Assets	(784,768)
Intergovernmental Revenue	81,262
Interest Expense	(690,855)
Total Nonoperating Revenues (Expenses)	8,889,038
Income Before Capital Grants and Contributions	(2,729,797)
Capital Grants and Contributions	25,375,473
Change in Net Position	22,645,676
Total Net Position - Beginning of Year	365,810,196
TOTAL NET POSITION - END OF YEAR	\$ 388,455,872

See accompanying Notes to Basic Financial Statements.

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PHOENIX-MESA GATEWAY AIRPORT AUTHORITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2024

	Business-type Activities Proprietary Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Providing Services	\$ 30,735,224
Payments to Employees	(10,873,429)
Payments to Suppliers	(16,050,781)
Customer Deposits and Prepayments	(404,197)
Net Cash Flows Provided by Operating Activities	3,406,817
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Lease Interest Income	684,422
Operating Grants from Other Governments	81,262
Net Cash Flows Provided by Non-Capital Financing Activities	765,684
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Construction and Acquisition of Capital Assets	(41,036,136)
Capital Contributions from Member Governments	4,060,000
Capital Grants from Other Governments	26,592,663
Passenger Facility Charges received	4,175,776
Customer Facility Charges received	1,331,757
Proceeds from Sale of Equipment	46,297
Principal Paid on Capital Debt	(575,000)
Interest Paid on Capital Debt	(731,375)
Net Cash Flows Used for Capital and Related Financing Activities	(6,136,018)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	2,111,006
Gain (Loss) on Change in Fair Market Value	1,972,434
Other Income (Expense)	8,004
Net Cash Flows Provided by Investing Activities	4,091,444
NET CHANGE IN CASH AND CASH EQUIVALENTS	
	2,127,927
Cash and Cash Equivalents - Beginning of Year	70,657,514
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 72,785,441
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION	
Cash and cash equivalents	\$ 69,576,596
Restricted cash	3,208,845
Total Cash and Cash Equivalents	\$ 72,785,441

(Continued)

See accompanying Notes to Basic Financial Statements.

PHOENIX-MESA GATEWAY AIRPORT AUTHORITY
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2024

	Business-type Activities Proprietary Fund
(Concluded)	
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Loss	\$ (11,618,835)
Adjustments to Reconcile Operating Loss to Net Cash	
Provided by Operating Activities:	
Depreciation	15,513,965
Change in Assets, Deferred Outflows, Liabilities and	
Deferred Inflows:	
Accounts Receivable	(271,871)
Lease Receivable	(1,587,480)
Prepaid Costs	459,473
Inventories	32,369
Net OPEB Asset	16,372
Accounts Payable and Accrued Liabilities	(95,889)
Unearned Revenue	(92,969)
Tenant Deposits	(404,197)
Deferred Outflows Related to Pension and OPEB	203,177
Deferred Inflows Related to Pension and OPEB	(53,691)
Deferred Inflows Related to Leases	1,356,430
Net Pension and OPEB Liability	(195,193)
Compensated Absences	145,156
Net Cash Provided by Operating Activities	\$ 3,406,817
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES	
Loss on Disposal of Capital Assets	\$ (831,065)
Amortization of Bond Issue Premium	26,145
Net Non-Cash Investing, Capital, and Financing Activities	\$ (804,920)

See accompanying Notes to Basic Financial Statements.

NOTES TO BASIC FINANCIAL STATEMENTS

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PHOENIX-MESA GATEWAY AIRPORT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of Phoenix-Mesa Gateway Airport Authority (PMGAA) have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). A summary of PMGAA's more significant accounting policies follows.

A. Reporting Entity

Phoenix-Mesa Gateway Airport Authority was established on May 19, 1994 as a joint powers' airport authority pursuant to Arizona Revised Statutes Title 28, Chapter 25, Article 8. Originally incorporated as Williams Gateway Airport Authority, PMGAA's name was officially changed to Phoenix-Mesa Gateway Airport Authority on July 1, 2007. PMGAA operates 3,042 acres as Phoenix-Mesa Gateway Airport.

PMGAA is overseen by a six-person board consisting of representatives from each of PMGAA's member governments. Membership in PMGAA is comprised of the Gila River Indian Community; Town of Gilbert, Arizona; City of Mesa, Arizona; City of Phoenix, Arizona; Town of Queen Creek, Arizona; and City of Apache Junction, Arizona.

PMGAA is further governed by a variety of federal, state, and local laws, agreements and regulations. The Federal Aviation Administration (FAA) has jurisdiction over airport operations, including aircraft, personnel, facilities, and many technical issues, including noise limits and reasonableness of fees. Under federal law and the FAA's regulations and grant agreements, PMGAA cannot legally transfer revenues to its member governments except in exchange for fair value received.

PMGAA is legally separate from other state and local governments. There are no component units combined with PMGAA for financial statement presentation purposes and PMGAA is not included in any other governmental reporting entity. Consequently, these financial statements present the financial position and activities of PMGAA, for which its governing board is financially accountable.

PHOENIX-MESA GATEWAY AIRPORT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

PMGAA earns revenue from aeronautical and non-aeronautical activities. Fees received for use of the airport include, but are not limited to, landing fees, tie down fees, terminal usage fees, fuel flowage fees, parking fees, rental car fees, and concession fees. PMGAA also owns and operates a fixed base fueling operation, leases land and facilities to various tenants, and contracts with tenants and users of the facilities within the airport area to provide maintenance services. Major expenses include salaries and fringe benefits; professional services for fire, police protection, and parking services; legal and development consulting; maintenance, and utilities.

B. Basis of Presentation

PMGAA engages solely in business-type activities and presents only a single enterprise fund for external reporting purposes. Accordingly, PMGAA does not present government-wide financial statements, and the statements of net position, of revenues, expenses and changes in net position and the statement of cash flows report information for that single enterprise fund only.

C. Basis of Accounting

1. Measurement Focus, Basis Accounting, and Financial Statement Presentation

The statement of net position and statement of revenues, expenses and changes in net position are reported using the *economic resources measurement focus* and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Such revenue is subject to review by the funding agency, which may result in disallowance in subsequent periods.

Proprietary, or, enterprise funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

PHOENIX-MESA GATEWAY AIRPORT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

2. Passenger Facility Charges

In 1990, Congress approved the Aviation Safety and Capacity Expansion Act (Act), which authorized domestic airports to impose a Passenger Facility Charge (PFC) on enplaning passengers. In May 1991, the Federal Aviation Administration issued the regulations for the use and reporting of PFCs. PFCs may be used for airport projects that meet at least one of the following criteria: (1) preserve or enhance safety, security, or capacity of the national transportation system; (2) reduce noise or mitigate noise impacts resulting from an airport; or (3) furnish opportunities for enhanced competition between or among carriers.

PMGAA was granted permission to begin collection of a \$4.50 per passenger PFC beginning with PMGAA's first application effective November 1, 2008. This authority continues with each successive application approved by the FAA for PMGAA's collection of PFCs, the most recent of which, application 21-08-C-00-IWA, awarded on November 10, 2021, grants PMGAA permission to impose and collect PFCs through June 1, 2043.

The PFC, less an \$0.11 per passenger administrative fee charged by the airlines for processing, is collected by the airlines and remitted on a monthly basis to PMGAA. PFCs are not a grant to PMGAA, but rather a fee earned by PMGAA for passenger use of the airport facilities and is considered revenue when collected and remitted. However, as the use of the PFCs is restricted to those specific purposes approved by the FAA as part of each application by PMGAA, the revenue from PFCs is reported as nonoperating revenue in PMGAA's statement of revenues, expenses, and changes in net position. Unspent PFCs are reported as restricted cash, and restricted net position, in PMGAA's financial statements.

3. Use of Restricted Resources

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, it is PMGAA's policy to use restricted resources first before using unrestricted resources.

PHOENIX-MESA GATEWAY AIRPORT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity

1. Cash and Investments

PMGAA's cash and cash equivalents are comprised of cash on hand, demand deposits, cash and investments held by the State Treasurer and highly liquid investments with maturities of three months or less from the date of acquisition. Cash and investments are pooled, except for funds required to be held by fiscal agents or restricted under provisions of bond indentures.

State Statutes and Authority policy authorize PMGAA to invest in obligations of U.S. Treasury and U.S. Agencies, certificates of deposit and repurchase agreements held in eligible depositories, obligations of the State of Arizona or any of its counties or incorporated cities, towns or duly organized school districts, improvement districts in this state, highly rated commercial paper, or the State Treasurer's Local Government Investment Pool. Investments are stated at fair value or amortized cost.

2. Receivables and Intergovernmental Receivables

All customer and non-governmental receivables are shown net of an allowance for uncollectible receivables. PMGAA annually reviews the balance in the reserve account to determine if, based on history, the allowance is adequate to cover current receivables, and adjusted accordingly. Receivables from other governments are assumed to be entirely collectible and are therefore not included in this analysis. Current and long-term lease receivables represent the present value of future minimum non-cancelable payments on lease agreements in which PMGAA is the lessor. These receivables are calculated and presented in accordance with GASB Statement No. 87.

3. Inventories and Prepaid Items

Supply inventories are valued at cost using the first-in/first-out (FIFO) method. The cost of inventory is reported as an expense at the time the individual items are consumed. Fuel inventories are valued at cost using the moving average method.

Certain payments to vendors reflect costs applicable to future accounting periods and accordingly are recorded as prepaid items in the proprietary fund financial statements. These items are expensed as consumed.

PHOENIX-MESA GATEWAY AIRPORT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)

4. Restricted Assets

As required by applicable law, regulation and agreement, certain resources are set aside for debt service requirements on bonds and loans. Additionally, unspent PFC funds and related receivables and customer deposits, upon which there are legal or external restrictions as to use, are set aside as restricted.

5. Capital Assets

Capital assets, which include property, plant, infrastructure, machinery and equipment, and vehicles, are defined by PMGAA as those assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of one year.

Capital assets purchased or acquired are carried at historical cost or estimated historical cost. Contributed assets are recorded at acquisition value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all assets is provided on a straight-line basis over the following estimated useful lives:

Buildings and Improvements	5 – 30 years
Infrastructure	5 – 40 years
Machinery, Vehicles, and Equipment	3 – 10 years

When assets are retired or sold, the costs of those assets and the related accumulated depreciation are eliminated from the accounts, and any resulting gain or loss is charged to income or expense.

6. Deferred Outflows and Inflows of Resources

The statement of net position includes separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods that will be recognized as an expense in future periods. Deferred inflows of resources represent an acquisition of net position that applies to future periods and will be recognized as a revenue in future periods.

PHOENIX-MESA GATEWAY AIRPORT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)

7. Compensated Absences

The liability for compensated absences reported in the statement of net position consists of unpaid, accumulated leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

All employees (after a probationary period) are eligible for full payout of their vacation leave upon separation from service. Employees who retire in good standing from PMGAA are eligible for payment of 50% of their unused sick leave.

Further, PMGAA's employee vacation policy provides for granting vacation leave payouts to eligible employees annually who meet the criteria. Every year, employees are eligible for payout of their accrued vacation balances in excess of PMGAA's 240-hour limit, provided the employee has taken at least 80 hours of vacation during the previous fiscal year. The employee is compensated at their current rate of pay.

8. Long-Term Obligations

In the financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

9. Pension Plan and Other Postemployment Benefits

For purposes of measuring the net pension and other postemployment benefits (OPEB) liabilities (assets), deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the plans' fiduciary net position and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

PHOENIX-MESA GATEWAY AIRPORT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)

10. Net Position

In the statement of net position, net position is reported in three categories: net investment in capital assets, restricted net position, and unrestricted net position. Net investment in capital assets is reported separately because capital assets make up a significant portion of total net position. Restricted net position accounts for the portion of net position restricted by parties outside of PMGAA. Unrestricted net position is the remaining net position not included in the previous two categories.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

PMGAA uses a budget process that culminates in the adoption of a formal annual budget by the board of directors. The budget is a planning and control device; it is not legally binding in the sense of appropriations commonly required in municipal governments. However, certain budget changes require board approval per certain PMGAA board policies and organizational policies and procedures.

PHOENIX-MESA GATEWAY AIRPORT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 3 DETAILED NOTES

A. Assets

1. Deposits and Investments

Deposits and investments at June 30, 2024 consist of the following:

Cash on Hand	\$	800
Deposits:		
Cash in Bank		1,254,675
Investments:		
Money Market		13,111,037
State Treasurer's Investment Pool		6,478,464
Commercial Paper		41,590,726
Corporate Bonds		10,349,739
Total Deposits and Investments		72,785,441
Less Restricted Assets		(3,208,845)
Cash and Investments on Statement of Net Position	\$	69,576,596

Investments and Fair Value Measurements – PMGAA uses fair value measurements to record value adjustments to certain assets and to determine fair value disclosures. PMGAA follows accounting principles generally accepted in the United States of America that define fair value, establish a framework for measuring fair value, establish a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements.

The fair value measurements framework utilizes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Fair value measurements define levels within the hierarchy based on the reliability of inputs.

PHOENIX-MESA GATEWAY AIRPORT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 3 DETAILED NOTES (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Financial assets recorded on the statement of net position are categorized based on inputs to the measurement framework as follows:

Level 1 – Financial assets are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in an active over-the-counter-market.

Level 2 – Financial assets are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

Level 3 – Financial assets are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity’s own assumptions about the assumptions market participants would use in pricing the asset.

PMGAA’s investments at June 30, 2024, categorized within the fair value hierarchy detailed above, were as follows:

	June 30, 2024	Fair Value Measurements Using		
		(Level I)	(Level II)	(Level III)
Investments by Fair Value Level				
Commercial Paper	\$ 41,590,726	\$ -	\$ 41,590,726	\$ -
Corporate Bonds	10,349,739	10,349,739	-	-
Total Investments by Fair Value Level	<u>\$ 51,940,465</u>	<u>\$ 10,349,739</u>	<u>\$ 41,590,726</u>	<u>\$ -</u>
External Investment Pools				
Measured at Fair Value				
State Treasurer's Investment Pool	\$ 6,478,464			
Total Investments by Fair Value Level	<u>\$ 6,478,464</u>			
Investments by Amortized Costs				
Money Market	\$ 13,111,037			
Total Investments	<u>\$ 71,529,966</u>			

PHOENIX-MESA GATEWAY AIRPORT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 3 DETAILED NOTES (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

The State Board of Investment provides oversight for the State Treasurer's pools, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The value of investments in LGIP 700 has been adjusted to fair market value at June 30, 2024. LGIP shares are not identified with specific investments held for PMGAA in physical or book entry form. Investments in the State Treasurer's Local Government Investment Pools are not insured or collateralized.

Custodial Credit Risk – Custodial Credit risk is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. PMGAA is not subject to custodial credit risk since its investments are not identified with specific investments held by others for PMGAA in physical or book entry form. PMGAA does not have a formal policy regarding credit risk. However, collateralization is addressed in the investment policy.

As of June 30, 2024, all PMGAA's funds held on deposit were fully collateralized through collateral pledged by PMGAA's banking institution in PMGAA's name.

Concentration Risk – Concentration risk is the increased risk to the organization when a significant portion of its resources are invested with a single issuer. PMGAA does not have a formal policy for concentration of credit risk. However, diversification of portfolio assets is addressed in the investment policy. The LGIP portfolio is not directly rated but holds only assets rated AAA by Moody's. Concentration percentages are shown below.

As of June 30, 2024, PMGAA had the following investments:

Rating Agency Investment	Rating	Amount	Percent
Moody's Investor Service			
Commercial Paper	A-1/P-1 - A-2/P-2	\$ 41,590,726	58%
Corporate Bonds	A-1/P-1 - A-2/P-2	\$ 10,349,739	14
Not Rated			
Money Market	N/A	13,111,037	18
State Treasurer's Investment Pool	N/A	6,478,464	9

PHOENIX-MESA GATEWAY AIRPORT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 3 DETAILED NOTES (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Interest rate risk – Due to the short maturities of PMGAA’s investments, the risk of losses due to market interest rate changes is minimal. PMGAA does not have a formal policy regarding interest rate risk. The following table shows the investment maturities by year and type of security:

Investment Type	Maturity			Total
	Less Than 1 Year	1-3 Years	More Than 3 Years	
State Treasurer's Investment Pool	\$ -	\$ 6,478,464	\$ -	\$ 6,478,464
Commercial Paper	41,590,726	-	-	41,590,726
Corporate Bonds	10,349,739	-	-	10,349,739
Total	<u>\$ 51,940,465</u>	<u>\$ 6,478,464</u>	<u>\$ -</u>	<u>\$ 58,418,929</u>

2. Restricted cash

Certain assets of PMGAA are classified as restricted assets because their use is restricted by grant or contractual agreements. Restricted assets include the following:

Customer Deposits	\$ 1,844,710
Current & Future Debt Service Reserves	1,364,135
Total Restricted Cash and Investments	<u>\$ 3,208,845</u>

3. Receivables

At June 30, 2024, receivables were comprised of the following receivable balances, reduced as applicable by an allowance for uncollectible amounts:

	Receivables	Allowance	Net
Business-Type Activities:			
Accounts Receivable, Net	\$ 2,170,047	\$ (109,444)	\$ 2,060,603
Due from Other Governments	2,251,164	-	2,251,164
Lease Receivables	15,673,888		15,673,888
Total Business-Type Activities	<u>\$ 20,095,099</u>	<u>\$ (109,444)</u>	<u>\$ 19,985,655</u>

PHOENIX-MESA GATEWAY AIRPORT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 3 DETAILED NOTES (CONTINUED)

A. Assets (Continued)

4. Capital assets

Capital asset activity for the year ended June 30, 2024 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated				
Land	\$ 91,188,500	\$ -	\$ -	\$ 91,188,500
Construction in Progress	84,456,847	36,186,046	(110,058,071)	10,584,822
Total Capital Assets Not Being Depreciated	175,645,347	36,186,046	(110,058,071)	101,773,322
Capital Assets Being Depreciated				
Buildings & Improvements	101,405,757	66,725,113	(3,579,789)	164,551,081
Infrastructure	270,800,790	40,383,044	(144,343)	311,039,491
Machinery, Vehicles, & Equipment	24,420,550	3,535,287	(496,566)	27,459,271
Total Capital Assets Being Depreciated	396,627,097	110,643,444	(4,220,698)	503,049,843
Less Accumulated Depreciation For:				
Buildings & Improvements	(64,608,328)	(3,594,158)	2,748,724	(65,453,762)
Infrastructure	(172,278,964)	(10,143,651)	144,343	(182,278,272)
Machinery, Vehicles, & Equipment	(16,821,293)	(1,776,156)	496,566	(18,100,883)
Total Accumulated Depreciation	(253,708,585)	(15,513,965)	3,389,633	(265,832,917)
Total Capital Assets Being Depreciated, Net	142,918,512	95,129,479	(831,065)	237,216,926
Business-type Activities Capital Assets, Net	<u>\$ 318,563,859</u>	<u>\$ 131,315,525</u>	<u>\$(110,889,136)</u>	<u>\$ 338,990,248</u>

PHOENIX-MESA GATEWAY AIRPORT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 3 DETAILED NOTES (CONTINUED)

B. Purchase Commitments

PMGAA had major contractual commitments related to various capital projects at June 30, 2024, for the construction or acquisition of various improvements. PMGAA's commitments remaining open with contractors relating to these projects were as follows:

Project	Spent-to-Date	Remaining Commitment
Design & Recon Twy H Btwn B & 12R	\$ 151,995	\$ 1,248,005
Eastside Development	225,586	14,111
Taxiway W Rehab	88,507	2,111,493
Fuel Farm Study Design and Construction	5,638,754	6,049,315
Design Road & Utility Extensions	193,651	27,946
Reconstruct Rwy 12R 30L & Twy H	1,122,352	23,425,675
Eastside Terminal Analysis	340,536	159,464
Relocation of RTR, Demo Other Facilities	2,033,052	1,436,948
TSA Bag Make-up Expansion	196,762	659,517
New Airport Entrance Monument Signs	69,830	930,170
Safety Management System	142,507	187,186
RWY C Asphalt Mill & Replc signs	174,163	3,933,992
Add Uninterrupted Power Bag Belts	57,194	42,806
Replc Terminal Seats Ph1 2 Gates	79,814	80,186
Baggage Claim 2 Canopy	21,589	183,411
Replc Defuel/Refuel Cart EQP-277	35,868	35,170
Lenel Gate Controls	12,662	12,338
	<u>\$ 10,584,822</u>	<u>\$ 40,537,733</u>

PHOENIX-MESA GATEWAY AIRPORT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 3 DETAILED NOTES (CONTINUED)

C. Long-Term Obligations

On February 29, 2012, PMGAA issued \$19,220,000 in Special Facility Revenue Bonds (Mesa Project) Series 2012. Previous to the issuance, on March 21, 2011, PMGAA entered into a Memorandum of Understanding (MOU) with the City of Mesa (the City) for the development, construction and lease of an aircraft maintenance, repair, and overhaul facility at Phoenix-Mesa Gateway Airport. Under the terms of the MOU, PMGAA issued Special Facility Revenue Bonds which financed the construction of the facility, which was leased to the City through a property and special facility lease on February 1, 2012 (the Agreement). The facility is further subleased by the City under a separate agreement.

Under the terms of the agreement, the City will pay rent to PMGAA, comprised of base rent for the building and premises rent for the property. The City's base rent payments due under the terms of the Agreement will be in sums sufficient to pay, amongst other things, the principal of and interest on the Series 2012 Special Facility Revenue Bonds as they come due, as well as all charges and expenses of the Trustee.

Further, in connection with the issuance of the special facility revenue bonds, The City pledged a portion of its excise taxes, defined in the Series 2012 Special Facility Revenue Bond Official Statement, as security for payment of the base rent. The pledge of such excise taxes will be a junior lien, subordinate to certain outstanding senior obligations.

Annual principal and interest payments on the bonds are expected to require 100% of revenues pledged for base rent less all charges and expenses of the trustee. Interest is paid semi-annually based upon the principal amount of the bonds outstanding during such period. The bonds are payable from the future lease revenues from the City of Mesa through 2039. During that time frame total principal and interest to be paid on the bonds will be \$35,216,300, with \$20,405,750 remaining to be paid as of June 30, 2024. For the current fiscal year, \$1,251,317 in base rent payments along with \$70,683 in earnings in excess of reserve requirements were utilized to repay \$575,000 in principal and \$717,000 in interest.

PHOENIX-MESA GATEWAY AIRPORT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 3 DETAILED NOTES (CONTINUED)

C. Long-Term Obligations (Continued)

The maturity schedule for the PMGAA Series 2012 Special Facility Revenue Bonds is as follows:

Purpose	Interest Rate	Maturity Date	Original Amount	Outstanding Amount
Business-Type Activities:				
Special Facility Revenue Bonds:				
Series 2012	5.00%	07/01/24-38	<u>\$ 19,220,000</u>	<u>\$ 14,340,000</u>

Changes in long-term obligations for the year ended June 30, 2024 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Bonds and Loans Payable					
Special Facility Revenue Bonds	\$ 14,915,000	\$ -	\$ (575,000)	\$ 14,340,000	\$ 605,000
Unamortized Premium on Bonds	392,177	-	(26,145)	366,032	-
Total Bonds and Loans Payable	<u>15,307,177</u>	<u>-</u>	<u>(601,145)</u>	<u>14,706,032</u>	<u>605,000</u>
Other Liabilities					
Compensated Absences	1,088,133	931,410	(786,254)	1,233,289	660,500
Business-Type Long-Term Liabilities	<u>\$ 16,395,310</u>	<u>\$ 931,410</u>	<u>\$ (1,387,399)</u>	<u>\$ 15,939,321</u>	<u>\$ 1,265,500</u>

Debt service requirements on long-term debt at June 30, 2024, including future interest based on current repayment schedules, are as follows:

Fiscal Year Ending June 30,	<u>Special Facility Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2025	\$ 605,000	\$ 686,750
2026	635,000	655,000
2027	665,000	621,750
2028	700,000	586,750
2029	735,000	550,000
2030-2034	4,255,000	2,132,250
2035-2039	6,745,000	833,250
Total	<u>\$ 14,340,000</u>	<u>\$ 6,065,750</u>

PHOENIX-MESA GATEWAY AIRPORT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 3 DETAILED NOTES (CONTINUED)

D. Leases

PMGAA, acting as lessor, leases land and facilities on the airport for office buildings, hangars, and ground leases for tenant development. A limited number of these agreements include up to two renewal terms ranging from one to ten years. These leases expire at various dates through 2081, inclusive of any options to renew expected to be exercised.

In accordance with GASB Statement No. 87 *Leases*, PMGAA recognizes a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions for leases subject to external regulation and for those leases that are short-term in nature. The lease receivable is measured at the present value of the lease payments expected to be received during the lease term.

With few exceptions, PMGAA's leases include escalation clauses, which will result in increases in future rents. The escalation clauses typically provide for annual rent increases of 5 percent or the change in the Consumer Price Index. To the extent that such increases are known or can be determined, they have been included in the measurement of the lease receivable.

Some leases require variable payments based on future performance of the lessee or usage of the underlying asset and are not included in the measurement of the lease receivable. Those variable payments are recognized as inflows of resources in the periods in which the payments are received. During the year ended June 30, 2024, PMGAA received variable payments as required by lease agreements totaling \$3,453,847.

Total future minimum lease payments to be received under lease agreements are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30,			
2025	\$ 1,237,681	\$ 732,652	\$ 1,970,333
2026	1,227,817	671,784	1,899,601
2027	1,063,139	615,335	1,678,474
2028	1,005,059	566,440	1,571,499
2029	1,059,617	516,545	1,576,162
2030-2034	2,578,058	2,010,780	4,588,838
2035 and thereafter	7,502,517	8,279,915	15,782,432
Total minimum lease payments	<u>\$ 15,673,888</u>	<u>\$ 13,393,451</u>	<u>\$ 29,067,339</u>

PHOENIX-MESA GATEWAY AIRPORT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 3 DETAILED NOTES (CONTINUED)

E. Regulated Leases

Certain leases entered into by PMGAA are subject to external laws, regulations, legal rulings, and agreements promulgated and enforced by the FAA. Under these regulations, the leases entered into between PMGAA and any air carrier or other aeronautical user (as defined in FAA Order 5190.6B Change 3 *Airport Compliance Manual*) must adhere to the following requirements:

1. Lease rates cannot exceed a reasonable amount (i.e. market rates), with reasonableness being subject to determination by the FAA.
2. Lease rates must be similar for lessees which are similarly situated.
3. PMGAA, as lessor, cannot deny potential lessees the right to enter into leases if facilities are available (or land is available for the lessee to build their own facility), provided that the lessee's use of the facilities complies with airport minimum standards and use restrictions.

Under the provisions of GASB Statement No. 87, leases subject to external regulation should be excluded from the measurement of the lease receivable and, accordingly, PMGAA has excluded these agreements from the measurement of its receivable.

For the year ended June 30, 2024, PMGAA received \$4,055,110 in payments from leases under regulated lease agreements. Future noncancelable minimum payments under regulated lease agreements are as follows:

Year Ending June 30,	
2025	\$ 4,993,264
2026	5,224,141
2027	4,636,491
2028	4,357,795
2029	3,849,056
2030-2034	18,430,327
2035 and thereafter	<u>75,554,604</u>
Total minimum lease payments	<u>\$117,045,678</u>

These future regulated lease revenues include \$38,282,710 in base rent from the City of Mesa that will be used to service the debt on the Series 2012 Special Facility Bonds.

PHOENIX-MESA GATEWAY AIRPORT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 4 OTHER INFORMATION

A. Risk Management

In addition to safety efforts, PMGAA's risk management activities include purchase of commercial insurance for all significant risks. Risks retained by PMGAA include normal deductibles and the small risk of losses in excess of insurance coverage. The amounts of settlements have not exceeded insurance coverage for the past three years. There have been no significant reductions in insurance coverage. The financial statements do not include any liability for claims at June 30, 2024.

Losses arising from claims and judgments are expensed when (1) it is probable that an asset has been impaired or a liability has been incurred at the date of the financial statements, and (2) the amount of the loss can be reasonably estimated.

B. Contingencies

Air Force Prime Lease and Deed

In January 1996, PMGAA entered into a prime lease with the United States Air Force for the real property encompassing approximately 3,005 of PMGAA's 3,042 acres of land, which comprised the majority of the former Williams Air Force Base, including the three runways, and 120 buildings or facilities (such as navigational aids) ("the property") for the purpose of developing a public airport. Since then, portions of the property have been deeded to PMGAA as environmental clearances have been completed. Today less than one acre remains under lease pending environmental clearance. The real property conveyed via quitclaim deed was recorded at estimated fair market value at the date of the transfer.

Under the terms of the deed, the property is restricted for public airport purposes for the use and benefit of the public. No land or improvements can be used, leased, sold, salvaged, or disposed of by PMGAA for other than airport purposes without the written consent of the Administrator of the FAA. The term "airport purposes" as used in this deed includes the use and/or development of the property, including hotel development, to produce sources of revenue from nonaviation business.

Non-compliance with the terms of the indenture could, at the option of the Federal government, result in the property reverting to the United States of America.

PHOENIX-MESA GATEWAY AIRPORT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Related Party Transactions

PMGAA has earned revenues, incurred expenses, and made other payments involving some of its member governments. Following is a summary of these transactions:

Related Party	Member Contributions	Operating Revenues	Operating Expenses	Sales Tax Collected/ Remitted
City of Apache Junction, Arizona	\$ 130,000	\$ -	\$ -	\$ -
City of Mesa, Arizona	1,700,000	552,257	2,734,540	348,001
City of Phoenix, Arizona	1,300,000	-	-	-
Gila River Indian Community	450,000	-	-	-
Town of Gilbert, Arizona	350,000	-	-	-
Town of Queen Creek, Arizona	130,000	-	-	-
	<u>\$ 4,060,000</u>	<u>\$ 552,257</u>	<u>\$ 2,734,540</u>	<u>\$ 348,001</u>

PMGAA revenues above consist of member contributions, real property leases, and minor maintenance work. PMGAA expenses include airport rescue and firefighting (ARFF), police protection, water and trash utilities, lobbyist services, and permits. Included in City of Mesa expenses is \$304,433 in accounts payable at June 30, 2024.

D. Pension and Other Postemployment Benefits

Arizona State Retirement System

Plan Description – PMGAA employees participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS is a component unit of the State of Arizona.

The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at www.azasrs.gov.

Benefits Provided – The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefits terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

PHOENIX-MESA GATEWAY AIRPORT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 4 OTHER INFORMATION (CONTINUED)

D. Pension and Other Postemployment Benefits (Continued)

	Retirement Initial Membership Date:	
	Before July 1, 2011	On or After July 1, 2011
	Years of Service and Age and Age Required to Receive Benefit	Sum of Years and Age Equals 80 10 Years, Age 62 5 Years, Age 50* Any Years, Age 65
Final Average Salary is Based on	Highest 36 Consecutive Months of Last 120 Months	Highest 60 Consecutive Months of Last 120 Months
Benefit Percentage Per Year of Service	2.1% to 2.3%	2.1% to 2.3%

* With Actuarially Reduced Benefits

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earning. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the retirement benefit option chosen determines the survivor benefit. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 10 or more years of service, benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents. For members with 5 to 9 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

Active members are eligible for a monthly long-term disability benefit equal to two-thirds of monthly earnings. Members receiving benefits continue to earn service credit up to their normal retirement dates. Members with long-term disability commencement dates after June 30, 1999, are limited to 30 years of service or the service on record as of the effective disability date if their service is greater than 30 years.

PHOENIX-MESA GATEWAY AIRPORT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 4 OTHER INFORMATION (CONTINUED)

D. Pension and Other Postemployment Benefits (Continued)

Contributions – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2024, statute required active ASRS members to contribute at the actuarially determined rate of 12.29% (12.14% for retirement and 0.15% for long-term disability) of the members’ annual covered payroll, and statute required PMGAA to contribute at the actuarially determined rate of 12.29% (12.03% for retirement, 0.11% for health insurance premium benefit, and 0.15% for long-term disability) of the active members’ annual covered payroll. In addition, PMGAA was required by statute to contribute at the actuarially determined rate of 9.99% (9.94% for retirement and 0.05% for long-term disability) of annual covered payroll of retired members who worked for PMGAA in positions that an employee who contributes to the ASRS would typically fill.

PMGAA’s contributions to the pension, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2024, were \$1,072,982, \$9,586, and \$13,218, respectively.

Liability – At June 30, 2024, PMGAA reported the following assets and liabilities for its proportionate share of the ASRS’ net pension/OPEB asset or liability.

	Net Pension/OPEB <u>(Asset) Liability</u>
Pension	\$ 9,556,761
Health Insurance Premium Benefit	(318,989)
Long-term Disability	7,731

The net asset and net liabilities were measured as of June 30, 2023. The total liability used to calculate the net asset or net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2022, to the measurement date of June 30, 2023.

PHOENIX-MESA GATEWAY AIRPORT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 4 OTHER INFORMATION (CONTINUED)

D. Pension and Other Postemployment Benefits (Continued)

PMGAA's proportion of the net asset or net liability was based on PMGAA's actual contributions to each plan relative to the total of all participating employers' contributions for the year ended June 30, 2023. PMGAA's proportionate share of each plan measured as of June 30, 2023, and the change from its proportionate share of each plan measured as of June 30, 2022 were:

	<u>Proportion June 30, 2023</u>	<u>Increase (Decrease) from June 30, 2022</u>
Pension	0.05906%	(0.00070)
Health Insurance Premium Benefit	0.05908%	(0.00101)
Long-term Disability	0.05900%	(0.00083)

Expense – For the year ended June 30, 2024, PMGAA recognized the following pension and OPEB expense:

	<u>Pension/OPEB Expense</u>
Pension	\$ 1,096,547
Health Insurance Premium Benefit	(37,556)
Long-term Disability	7,460

Deferred Outflows/Inflows of Resources –At June 30, 2024, PMGAA reported deferred outflows of resources and deferred inflows of resources related to pension and OPEB from the following sources:

	<u>Pension</u>		<u>Health Insurance Premium Benefit</u>		<u>Long-term Disability</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 215,945	\$ -	\$ 13,461	\$ 118,959	\$ 6,980	\$ 4,351
Changes of Assumptions or Other Inputs	-	-	-	6,348	2,040	11,254
Net Difference between Projected and Actual Earnings on Plan Investments	-	338,127	-	14,011	-	619
Changes in Proportion and Differences between PMGAA Contributions and Proportionate Share of Contributions	20,194	71,416	2,595	416	763	1,339
PMGAA Contributions Subsequent to the Measurement Date	1,072,982	-	9,586	-	13,218	-
	<u>\$ 1,309,121</u>	<u>\$ 409,543</u>	<u>\$ 25,642</u>	<u>\$ 139,734</u>	<u>\$ 23,001</u>	<u>\$ 17,563</u>

PHOENIX-MESA GATEWAY AIRPORT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 4 OTHER INFORMATION (CONTINUED)

D. Pension and Other Postemployment Benefits (Continued)

The amounts as deferred outflows of resources related to pension and OPEB resulting from contributions subsequent to the measurement date will be recognized as an increase of the net asset or a reduction of the net liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources for pension and OPEB will be recognized in expense as follows:

Year Ending June 30,	<u>Pension</u>	<u>Health Insurance Premium Benefit</u>	<u>Long-Term Disability</u>
2025	\$ (68,199)	\$ (52,733)	\$ (868)
2026	(427,587)	(57,996)	(2,145)
2027	364,400	(7,075)	76
2028	(42,018)	(6,950)	(2,271)
2029	-	1,076	(2,178)
Thereafter	-	-	(394)

Actuarial assumptions- The significant actuarial assumptions used to measure the total pension/OPEB liability are as follows:

Actuarial Valuation Date	June 30, 2022
Actuarial Roll Forward Date	June 30, 2023
Actuarial Cost Method	Entry Age Normal
Asset Valuation	Fair Value
Discount Rate/Investment Rate of Return	7.0%
Project Salary Increases	2.9 - 8.4% for Pensions/Not Applicable for OPEB
Inflation	2.3%
Permanent Benefit Increase	Included for Pensions/Not Applicable for OPEB
Mortality Rates	2017 SRA Scale U-MP for Pensions and Health Insurance Premium Benefit
Recovery Rates	2012 GLDT for Long-Term Disability
Healthcare Cost Trend Rate	Not Applicable

Actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2020.

The long-term expected rate of return on ASRS pension plan investments was determined to be 7.0% using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage.

PHOENIX-MESA GATEWAY AIRPORT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 4 OTHER INFORMATION (CONTINUED)

D. Pension and Other Postemployment Benefits (Continued)

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Geometric Real Rate of Return</u>
Public Equity	44%	3.50%
Credit	23%	5.90%
Real Estate	17%	5.90%
Private Equity	10%	6.70%
Interest Rate Sensitive	6%	1.50%
Total	<u>100%</u>	

Discount Rate—At June 30, 2023, the discount rate used to measure the total pension/OPEB liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

Sensitivity of PMGAA's Proportionate Share of the ASRS Net Pension/OPEB (Asset) Liability to Changes in the Discount Rate—The following table presents PMGAA's proportionate share of the net pension/OPEB (asset) liability calculated using the discount rate of 7.0%, as well as what PMGAA's proportionate share of the net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0%) or 1 percentage point higher (8.0%) than the current rate:

	<u>1% Decrease (6.0%)</u>	<u>Current Discount Rate (7.0%)</u>	<u>1% Increase (8.0%)</u>
PMGAA's Proportionate Share of the Net Pension Liability	\$ 14,314,625	\$ 9,556,761	\$ 5,589,545
Net Insurance Premium Benefit Liability (Asset)	(222,959)	(318,989)	(400,593)
Net Long-Term Disability Liability	11,305	7,731	4,215

PHOENIX-MESA GATEWAY AIRPORT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 4 OTHER INFORMATION (CONTINUED)

D. Pension and Other Postemployment Benefits (Continued)

Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued ASRS financial report.

Contributions Payable – PMGAA’s accrued payroll and employee benefits included \$106,559 of outstanding pension and OPEB contribution amounts payable to the ASRS for the year ended June 30, 2024.

Deferred Compensation Plan

PMGAA offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. Section 457 requires that the assets and income of a qualifying plan be held in trust for the exclusive benefit of participants and their beneficiaries. The plan, available to all PMGAA employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Bi-weekly contributions to the plan are deducted from the wages of employees who choose to participate as prescribed by federal law and regulations. PMGAA offers a matching contribution up to \$50 per pay period. These combined contributions are deposited with the third-party vendor in PMGAA’s name and in trust on behalf of PMGAA employees. PMGAA has little administrative involvement and does not perform investing functions for this plan, therefore, this plan is not reflected in PMGAA’s financial statements.

PMGAA contributions to the plan for the year ended June 30, 2024 were \$31,500.

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REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A

PHOENIX-MESA GATEWAY AIRPORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
SCHEDULE OF PMGAA'S PROPORTIONATE SHARE OF NET
PENSION/OPEB LIABILITY
COST-SHARING PLANS
JUNE 30, 2024

Pension	Reporting Fiscal Year (Measurement Date)			
	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)
PMGAA's Proportion of the Net Pension Liability	0.05906%	0.05976%	0.05933%	0.06247%
PMGAA's Proportionate Share of the Net Pension Liability	\$ 9,556,761	\$ 9,754,159	\$ 7,795,699	\$ 10,823,877
PMGAA's Covered Payroll	7,761,072	7,144,721	6,689,029	6,845,232
PMGAA's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	123.14%	136.52%	116.54%	158.12%
Plan Fiduciary net Position as a Percentage of the Total Pension Liability	75.47%	74.26%	78.58%	69.33%

Health Insurance Premium Benefit	Reporting Fiscal Year (Measurement Date)			
	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)
PMGAA's Proportion of the Net OPEB (Asset) Liability	0.05908%	0.06009%	0.05967%	0.06272%
PMGAA's Proportionate Share of the Net OPEB (Asset) Liability	\$ (318,989)	\$ (335,361)	\$ (290,717)	\$ (44,406)
PMGAA's Covered Payroll	7,761,072	7,144,721	6,689,029	6,845,232
PMGAA's Proportionate Share of the Net OPEB (Asset) Liability as a Percentage of its Covered Payroll	-4.11%	-4.69%	-4.35%	-0.65%
Plan Fiduciary net Position as a Percentage of the Total OPEB Liability	134.37%	137.79%	130.24%	104.33%

Long-term Disability	Reporting Fiscal Year (Measurement Date)			
	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)
PMGAA's Proportion of the Net OPEB (Asset) Liability	0.05900%	0.05983%	0.05947%	0.06256%
PMGAA's Proportionate Share of the Net OPEB (Asset) Liability	\$ 7,731	\$ 5,526	\$ 12,276	\$ 47,459
PMGAA's Covered Payroll	7,761,072	7,144,721	6,689,029	6,845,232
PMGAA's Proportionate Share of the Net OPEB (Asset) Liability as a Percentage of its Covered Payroll	0.10%	0.08%	0.18%	0.69%
Plan Fiduciary net Position as a Percentage of the Total OPEB Liability	93.70%	95.40%	90.38%	68.01%

Reporting Fiscal Year (Measurement Date)					
2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
0.06220%	0.06082%	0.05781%	0.05524%	0.05129%	0.05309%
\$ 9,050,824 6,574,179	\$ 8,482,250 6,069,562	\$ 9,005,671 5,529,421	\$ 8,916,291 5,133,214	\$ 7,988,900 4,722,184	\$ 7,855,199 4,761,393
137.67%	139.75%	162.87%	173.70%	169.18%	164.98%
73.24%	73.40%	69.92%	67.06%	68.35%	69.49%

Reporting Fiscal Year (Measurement Date)			
2020 (2019)	2019 (2018)	2018 (2017)	2017 Through 2013
0.06217%	0.06096%	0.05800%	Information Not Available
\$ (17,181) 6,574,179	\$ (21,951) 6,069,562	(31,575) 5,529,421	
-0.26%	-0.36%	-0.57%	
101.62%	102.20%	103.57%	

Reporting Fiscal Year (Measurement Date)			
2020 (2019)	2019 (2018)	2018 (2017)	2017 Through 2013
0.06209%	0.06091%	0.05776%	Information Not Available
\$ 40,448 6,574,179	\$ 31,826 6,069,562	20,937 5,529,421	
0.62%	0.52%	0.38%	
72.85%	77.83%	84.44%	

**PHOENIX-MESA GATEWAY AIRPORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
SCHEDULE OF PMGAA PENSION/OPEB CONTRIBUTIONS
JUNE 30, 2024**

Pension

	Fiscal Year			
	2024	2023	2022	2021
Statutorily Required Contribution	\$ 1,072,982	\$ 918,945	\$ 854,986	\$ 777,064
PMGAA's Contributions in relation to the Statutorily Required Contribution	<u>1,072,982</u>	<u>918,945</u>	<u>854,986</u>	<u>777,064</u>
PMGAA's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
PMGAA's Covered Payroll	\$ 8,729,569	\$ 7,761,072	\$ 7,144,721	\$ 6,689,029
PMGAA's Contributions as a Percentage of Covered Payroll	12.29%	11.84%	11.97%	11.62%

Health Insurance Premium Benefit

	Fiscal Year			
	2024	2023	2022	2021
Statutorily Required Contribution	\$ 9,586	\$ 8,281	\$ 14,658	\$ 26,087
PMGAA's Contributions in relation to the Statutorily Required Contribution	<u>9,586</u>	<u>8,281</u>	<u>14,658</u>	<u>26,087</u>
PMGAA's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
PMGAA's Covered Payroll	\$ 8,729,569	\$ 7,761,072	\$ 7,144,721	\$ 6,689,029
PMGAA's Contributions as a Percentage of Covered Payroll	0.11%	0.11%	0.21%	0.39%

Long-term Disability

	Fiscal Year			
	2024	2023	2022	2021
Statutorily Required Contribution	\$ 13,218	\$ 10,674	\$ 13,262	\$ 12,040
PMGAA's Contributions in relation to the Statutorily Required Contribution	<u>13,218</u>	<u>10,674</u>	<u>13,262</u>	<u>12,040</u>
PMGAA's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
PMGAA's Covered Payroll	\$ 8,729,569	\$ 7,761,072	\$ 7,144,721	\$ 6,689,029
PMGAA's Contributions as a Percentage of Covered Payroll	0.15%	0.14%	0.19%	0.18%

Fiscal Year					
2020	2019	2018	2017	2016	2015
\$ 781,806	\$ 733,438	\$ 658,962	\$ 596,071	\$ 556,955	\$ 514,245
781,806	733,438	658,962	596,071	556,955	514,245
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 6,845,232	\$ 6,574,179	\$ 6,069,562	\$ 5,529,421	\$ 5,133,214	\$ 4,722,184
11.42%	11.16%	10.86%	10.78%	10.85%	10.89%

Fiscal Year					
2020	2019	2018	2017	2016	2015
\$ 33,542	\$ 30,241	\$ 26,706	\$ 30,965	\$ 25,666	\$ 27,861
33,542	30,241	26,706	30,965	25,666	27,861
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 6,845,232	\$ 6,574,179	\$ 6,069,562	\$ 5,529,421	\$ 5,133,214	\$ 4,722,184
0.49%	0.46%	0.44%	0.56%	0.50%	0.59%

Fiscal Year					
2020	2019	2018	2017	2016	2015
\$ 11,637	\$ 10,519	\$ 9,711	\$ 7,741	\$ 6,160	\$ 5,667
11,637	10,519	9,711	7,741	6,160	5,667
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 6,845,232	\$ 6,574,179	\$ 6,069,562	\$ 5,529,421	\$ 5,133,214	\$ 4,722,184
0.17%	0.16%	0.16%	0.14%	0.12%	0.12%

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OTHER INFORMATION

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PHOENIX-MESA GATEWAY AIRPORT AUTHORITY
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGETARY-BASIS
YEAR ENDED JUNE 30, 2024

AIRPORT - All Operations

	Budget	Actual	Variance
OPERATING REVENUES			
Aeronautical Operating Revenues			
Aircraft Parking	\$ 243,129	\$ 385,681	\$ (142,552)
Fuel Flowage Fees	769,638	637,895	131,743
Landing Fees	1,615,226	1,702,303	(87,077)
Lease Income Aero	3,682,210	4,055,110	(372,900)
Fuel Sales	6,571,400	7,761,831	(1,190,431)
Services Sold - Aero	6,080,516	5,856,795	223,721
Non-Aeronautical Operating Revenues			
Concessions	1,209,836	1,424,638	(214,802)
Lease Income Non-Aero	1,165,801	1,322,036	(156,235)
Parking	4,166,487	5,088,360	(921,873)
Rental Car Fees	2,665,424	3,024,669	(359,245)
Svc's Sold - Non Aero	150,520	201,193	(50,673)
Total Operating Revenues	28,320,187	31,460,511	(3,140,324)
OPERATING EXPENSES			
Personnel	11,670,064	11,329,603	340,461
Costs of Goods Sold	6,093,710	5,343,774	749,936
Comm & Utilities	905,502	1,087,068	(181,566)
Contractual Services	7,359,350	6,843,458	515,892
Insurance	696,578	638,960	57,618
Other	499,792	485,421	14,371
Repair & Maintenance	1,365,650	771,246	594,404
Supplies & Materials	1,105,779	849,713	256,066
Air Service Incentives	2,000,000	-	2,000,000
Operating Contingency	1,237,142	-	1,237,142
Total Operating Expenses	32,933,567	27,349,243	5,584,324
OPERATING INCOME - BUDGETARY-BASIS	\$ (4,613,380)	4,111,268	\$ (8,724,648)
RECONCILIATION OF BUDGETARY-BASIS STATEMENT TO GAAP-BASIS			
Depreciation is a GAAP-only Expenditure		(15,513,965)	
Certain Expenditures (i.e. Compensated Leave) are recognized in			
Expense when Earned on a GAAP Basis, when Paid on a Budgetary-Basis		(116,078)	
Pension and OPEB Expense is a GAAP-only Expenditure		(1,066,451)	
Pension and OPEB Contributions are an Expense on a Budgetary-Basis		1,095,786	
A Portion of Lease Income is presented as non-operating on a GAAP Basis		(453,373)	
Lease Income Excludes Bond-Related Lease Income on a Budgetary-Basis		323,978	
Operating Loss - GAAP Basis		\$ (11,618,835)	

**PHOENIX-MESA GATEWAY
AIRPORT AUTHORITY**

SINGLE AUDIT ACT REPORTS

FISCAL YEAR ENDED JUNE 30, 2024



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**PHOENIX-MESA GATEWAY AIRPORT AUTHORITY
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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Phoenix-Mesa Gateway Airport Authority
Mesa, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Phoenix-Mesa Gateway Airport Authority (PMGAA), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise PMGAA's basic financial statements, and have issued our report thereon dated September 30, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered PMGAA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of PMGAA's internal control. Accordingly, we do not express an opinion on the effectiveness of PMGAA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of PMGAA's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

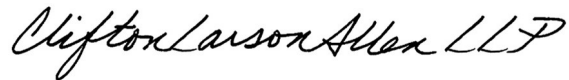
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether PMGAA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of PMGAA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering PMGAA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Phoenix, Arizona
September 30, 2024



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Phoenix-Mesa Gateway Airport Authority
Mesa, Arizona

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited PMGAA's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of PMGAA's major federal programs for the year ended June 30, 2024. PMGAA's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, PMGAA complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of PMGAA and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of PMGAA's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to PMGAA's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on PMGAA's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about PMGAA's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding PMGAA's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of PMGAA's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of PMGAA's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

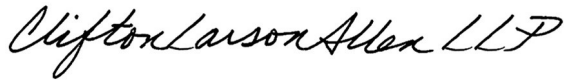
Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of PMGAA as of and for the year ended June 30, 2024, and have issued our report thereon dated September 30, 2024, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



CliftonLarsonAllen LLP

Phoenix, Arizona
September 30, 2024

**PHOENIX-MESA GATEWAY AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED JUNE 30, 2024**

Section I – Summary of the Auditors' Results

Financial Statements

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes X no
 - Significant deficiency(ies) identified? _____ yes X none reported
3. Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

1. Internal control over major programs:
- Material weakness(es) identified? _____ yes X no
 - Significant deficiency(ies) identified? _____ yes X none reported
2. Type of auditors' report issued on compliance for major programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes X no

Identification of Major Program

Assistance Listing Number(s)

20.106

Name of Federal Program or Cluster

Airport Improvement Program

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

 X yes _____ no

**PHOENIX-MESA GATEWAY AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2024**

Section II – Financial Statement Findings

None noted.

Section III – Federal Award Findings and Questioned Costs

None noted.

**PHOENIX-MESA GATEWAY AIRPORT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2024**

PHOENIX-MESA GATEWAY AIRPORT AUTHORITY

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024**

Federal Grantor/Pass Through Grantor/Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Passed- Through to Subrecipients
U.S. Department of Transportation				
Direct Grants				
Airport Improvement Program	20.106	AIP3-04-0078-051-2022	\$ 10,287.00	\$ -
Airport Improvement Program	20.106	AIP3-04-0078-054-2022	3,347,577	-
Airport Improvement Program	20.106	AIP3-04-0078-055-2023	3,400,206	-
Airport Improvement Program	20.106	AIP3-04-0078-057-2023	6,000,000	-
Airport Improvement Program	20.106	AIP3-04-0078-058-2024	129,767	-
Total U.S. Department of Transportation			<u>12,887,837</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 12,887,837</u>	<u>\$ -</u>

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

**PHOENIX-MESA GATEWAY AIRPORT AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
JUNE 30, 2024**

NOTE 1 GENERAL

The accompanying schedule of expenditures of federal awards presents the activity of all federal awards of Phoenix-Mesa Gateway Airport Authority. PMGAA's reporting entity is defined in Note 1.A. to the basic financial statements for the year ended June 30, 2024. All federal awards received directly from federal agencies are included in the schedule.

NOTE 2 BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting, which is described in Note 1 to PMGAA's basic financial statements for the year ended June 30, 2024.

NOTE 3 INDIRECT COST RATE

PMGAA did not elect the 10% de minimus indirect cost rate as covered in 2CFR 200.414.



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE PASSENGER FACILITY CHARGE PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE**

Board of Directors
Phoenix-Mesa Gateway Airport Authority
Mesa, Arizona

Report on Compliance for the Passenger Facility Charge Program

Opinion on Compliance for the Passenger Facility Charge Program

We have audited Phoenix-Mesa Gateway Airport Authority's (PMGAA) compliance with the types of compliance requirements identified as subject to audit in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (Guide), that could have a direct and material effect on its passenger facility charge program for the year ended June 30, 2024.

In our opinion, PMGAA complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program for the year ended June 30, 2024.

Basis for Opinion on Compliance for the Passenger Facility Charge Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the Guide. Our responsibilities under those standards and the Guide are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of PMGAA and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the passenger facility charge program. Our audit does not provide a legal determination of PMGAA's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to PMGAA's passenger facility charge program.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on PMGAA's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Guide will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about PMGAA's compliance with the requirements of the passenger facility charge program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Guide, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding PMGAA's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of PMGAA's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of PMGAA's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of the passenger facility charges on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of the passenger facility charges will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of the passenger facility charges that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Passenger Facility Charges

We have audited the financial statements of PMGAA as of and for the year ended June 30, 2024, and issued our report thereon dated September 30, 2024, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of passenger facility charges is presented for purposes of additional analysis as required by the *Passenger Facility Charge Audit Guide for Public Agencies* and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of passenger facility charges is fairly stated, in all material respects, in relation to the financial statements as a whole.



CliftonLarsonAllen LLP

Phoenix, Arizona
September 30, 2024

**PHOENIX-MESA GATEWAY AIRPORT AUTHORITY
SCHEDULE OF PASSENGER FACILITY PROGRAM
FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED JUNE 30, 2024**

CURRENT YEAR FINDINGS

None.

SCHEDULE OF PRIOR FINDINGS

None.

**PHOENIX-MESA GATEWAY AIRPORT AUTHORITY
 SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES
 FISCAL YEAR ENDED JUNE 30, 2024**

	<u>September 30</u>	<u>December 31</u>	<u>March 31</u>	<u>June 30</u>	<u>Totals</u>
21-07-C-00-IWA	\$ 654,090	\$ -	\$ 67,013	\$ 65,086	\$ 786,189
22-08-C-00-IWA	<u>\$ 110,555</u>	<u>\$ 3,580</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 114,135</u>
Total	<u>\$ 764,645</u>	<u>\$ 3,580</u>	<u>\$ 67,013</u>	<u>\$ 65,086</u>	<u>\$ 900,324</u>



Board of Directors
Phoenix-Mesa Gateway Airport Authority
Mesa, Arizona

We have audited the financial statements of the business-type activities of Phoenix-Mesa Gateway Airport Authority (PMGAA) as of and for the year ended June 30, 2024, and have issued our report thereon dated September 30, 2024. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as well as certain information related to the planned scope and timing of our audit in our engagement agreement dated August 14, 2024. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings or issues

Qualitative aspects of accounting practices

Accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by PMGAA are described in Note 1 to the financial statements.

No new accounting policies were adopted, and the application of existing policies was not changed during the year.

We noted no transactions entered into by the PMGAA during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no accounting estimates affecting the financial statements which were particularly sensitive or required substantial judgments by management.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

Significant unusual transactions

We identified no significant unusual transactions.

Difficulties encountered in performing the audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management did not identify, and we did not notify them of any uncorrected financial statement misstatements.

Corrected misstatements

Management did not identify, and we did not notify them of any financial statement misstatements.

Disagreements with management

For purposes of this communication, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

Management representations

We have requested certain representations from management that are included in a separate management representation letter dated September 30, 2024.

Management consultations with other independent accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the PMGAA's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Significant issues discussed with management prior to engagement

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the PMGAA's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

Required Supplementary Information

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

Supplementary information in relation to the financial statements as a whole

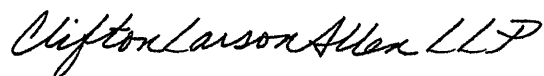
With respect to the schedule of expenditures of federal awards (SEFA) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the SEFA to determine that the SEFA complies with the requirements of the Uniform Guidance, the method of preparing it has not changed from the prior period or the reasons for such changes, and the SEFA is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the SEFA to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated September 30, 2024.

With respect to the schedule of expenditures of passenger facility charges (PFC) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the schedule of expenditures of PFC to determine that the schedule of expenditures of PFC complies with the requirements of *Passenger Facility Charge Audit Guide for Public Agencies*, the method of preparing it has not changed from the prior period or the reasons for such changes, and the schedule of expenditures of PFC is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the schedule of expenditures of PFC to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated September 30, 2024.

Other information included in annual reports

Other information (financial or nonfinancial information other than the financial statements and our auditors' report thereon) is being included in your annual report and is comprised of schedule of revenues and expenditures (budgetary basis). Our responsibility for other information included in your annual report does not extend beyond the financial information identified in our opinion on the financial statements. We have no responsibility for determining whether such other information is properly stated and do not have an obligation to perform any procedures to corroborate other information contained in your annual report. We are required by professional standards to read the other information included in your annual report and consider whether a material inconsistency exists between the other information and the financial statements because the credibility of the financial statements and our auditors' report thereon may be undermined by material inconsistencies between the audited financial statements and other information. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report. Our auditors' report on the financial statements includes a separate section, "Other Information," which states we do not express an opinion or any form of assurance on the other information included in the annual report. We did not identify any material inconsistencies between the other information and the audited financial statements.

This communication is intended solely for the information and use of the board of directors and management of PMGAA and is not intended to be, and should not be, used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Phoenix, Arizona
September 30, 2024

**MINUTES OF THE PUBLIC MEETING OF THE
PHOENIX-MESA GATEWAY AIRPORT AUTHORITY
BOARD OF DIRECTORS | August 20, 2024**

A public meeting of the Phoenix-Mesa Gateway Airport Authority (PMGAA, Authority) was convened on Tuesday, August 20, 2024, beginning at 9:00 a.m. in the Board Room (Saguaro A&B) of the Gateway Administration Building, 5835 S Sossaman Road, Mesa, Arizona.

Members Present

Mayor Julia Wheatley, Queen Creek
Lt. Governor Regina Antone, Gila River Indian
Community (*via audio conference*)
Councilmember Scott Somers, Mesa
Mayor Brigette Peterson, Gilbert
Mayor Chip Wilson, Apache Junction
** Neither present nor represented*

Airport Staff Present

J. Brian O'Neill, Executive Director/CEO
Scott Brownlee, Deputy Director/COO
Chuck Odom, CFO
Misty Johnson, Clerk of the Board
Jill Casson Owen, Attorney
Bob Draper, Director of Engineering & Facilities

1. **Call to Order** at 9:00 a.m. (Mayor Wilson, Chair)

2. **Roll Call**

3. **Pledge of Allegiance**

4. **Call to the Public**

Prior to the start of the meeting, Gold Canyon resident Steve Edwards submitted to the Clerk of the Board a public comment card to speak on a topic not on the agenda. His concern is flight paths, noise, and air safety over Gold Canyon.

5. **Executive Director's Report** – J. Brian O'Neill, A.A.E., Executive Director/CEO

Executive Director O'Neill provided a briefing on PMGAA's financial performance, passenger activity, the community noise report, and various Airport projects.

- Fiscal Year End 2024 (FYE24) preliminary net operating income is \$4,125,732, an increase of 6% over FYE23 and Phoenix-Mesa Gateway Airport's (Airport, Gateway Airport) third best year for net operating income.
- Gateway Airport welcomed 158,512 commercial passengers in June 2024. This is a new June record! The total number of commercial passengers for FY24 is 1,839,977. This is the second-best fiscal year ever for commercial passengers.
- The air traffic control tower at Gateway Airport is a contract tower. The unique fleet mix at the Airport makes these contract controllers desirable to the Federal Aviation Administration (FAA). To provide more stability in the controller staffing model, a pilot program has been developed to convert contract towers into FAA towers. If Gateway Airport is one of the airports chosen for the FAA Reauthorization Air Traffic Control Tower Staffing Pilot Program, the Airport will continue to own the air traffic control tower, but it will be staffed with FAA employees instead of contract employees.
- Recommended changes to the Airport Personnel Rules include performance-based lump sum payment to be paid out per pay period instead of a one-time payment, statutory sick leave category to comply with AZ State Law, sick leave conversion, updated sick time at separation and updated bereavement leave.

- At the northeast corner of Ellsworth Road and Pecos Road is a 52.6-acre perpetual easement for the restrictive use of the land. Subject to an Instrument of Release from the FAA the Authority will receive title to the Conveyance Property from Mesa BA Land, LLC for approximately a 19.6-acre parcel in exchange for extinguishing the easement. Only a ± 19 -acre portion of the easement is needed to protect the Airport's ultimate Runway Protection Zone (RPZ).
- Virgin Galactic has received Certificates of Occupancy from the City of Mesa for their hangar and manufacturing facility located on the north end of the Airport. A VIP tour and ribbon-cutting event are planned for this fall. Assembly of Delta spaceships will begin in Q1 2025.
- Gulfstream Aerospace is completing construction of a 225,000 sq. ft. West Coast Service Center on the east side of the airfield adjacent to Ellsworth Road. This state-of-the-art facility is scheduling its ribbon-cutting event for October. The industry-leading company has already hired over 250 local employees and leased more than 100,000 sq. ft. of additional hangar space.
- SkyBridge Arizona is a 360-acre master development project offering both aeronautical and non-aeronautical private development opportunities. It has completed the construction of two 250,000 sq. ft. flex industrial buildings designed to accommodate single and multi-tenant users, a 53,000 sq. ft. industrial building, an 82,500 sq. ft. hangar and various roadways and utility infrastructure across the site. Ground-breaking events have been held for two additional projects – two office buildings for Northern Arizona University (NAU) Mesa Workforce Development Center and a 129-room dual-brand hotel.
- Gateway East is a 273-acre, mixed-use, non-aeronautical master development opportunity located on the east side of the Airport. The horizontal infrastructure – roadways, utilities, and landscaping - is progressing. Construction of a 275,000 sq. ft. manufacturing facility for XNRGY Climate Systems is currently underway.
- Gateway Commerce Center III is being developed along the southeast corner of Sossaman Road and Velocity Way. This project is two industrial buildings totaling just less than 100,000 sq. ft. The appearance will be more of an office building than an industrial building. The developers have worked with the City of Mesa for enhanced landscaping at the corner of Sossaman Road and Velocity Way.
- PMGAA is updating the front entrance to the Airport at the intersection of Ray and Sossaman Roads. The project will remove the existing monument and sculptures on the east and west sides of Sossaman Road and a new monument, landscaping, irrigation, signage, and lighting will be constructed.
- Several airport-owned buildings that have reached the end of their useful life have been removed. The demolition project is creating a new aeronautical development opportunity at the south end of the Airport. In September a Request for Qualifications (RFQ) for the aeronautical redevelopment is scheduled for release.

6. Airfield Infrastructure Construction Projects Update – Bob Draper, Director of Engineering and Facilities

- During the next two years, PMGAA will complete several important airfield improvement projects designed to ensure that the runways and taxiways at Gateway Airport remain in good operational condition. The center runway, Runway 12C-30C, will have an extensive mill and overlay completed on the center portion of the runway. In the fall, Taxiway Whiskey will be repaired in front of the commercial passenger terminal and the southern half of the Airport's inside runway, Runway 12R-30L, will undergo a substantial reconstruction of its aging concrete.

Once the southern portion is completed, PMGAA will reconstruct the northern half of Runway 12R-30L in mid-2025 and into 2026.

7. Consent Agenda

- a) **Minutes** of the Board Meeting held on **June 18, 2024**.
- b) **Resolution No. 24-30** – Approving an Authorization of Services for Construction Services with **KEAR Civil Corporation (KEAR)**, for the Baggage Claim 2 Canopy Project, in an amount not to exceed \$161,589.50, under CIP 1267.
- c) **Resolution No. 24-31** – Authorizing a Construction Contract with **RCI Property Enterprises, LLC, (RCI)** for Construction Services for the New Airport Entrance Monument Signage Project, in an amount not to exceed \$916,669.46, under CIP 1268.
- d) **Resolution No. 24-32** – Authorizing a Construction Manager at Risk (CMAR) Construction Services Contract, with **Pulice Construction, Inc.**, for the Runway 12R-30L Phase 1 Reconstruction Project in an amount not to exceed \$18,595,906.00 under CIP 1072 subject to grant funding.
- e) **Resolution No. 24-33** – Approving an Authorization of Services to provide Construction Administration Services with **Kimley-Horn & Associates (Kimley-Horn)** for the Runway 12R-30L Reconstruction Project in an amount not to exceed \$747,486.83 under CIP 1072 subject to grant funding.
- f) **Resolution No. 24-34** – Authorizing the procurement of Desktop Computers and Laptops from **Dell Marketing, L.P. (Dell)** in an amount not to exceed \$112,234.00.
- g) **Resolution No. 24-35** – Authorizing the purchase of one new wheel loader from **Earhart Tractor and Equipment Company (Earhart)**, a division of Bingham Equipment, in an amount not to exceed \$217,678.77.
- h) **Resolution No. 24-36** – Authorizing the termination of the **SkyB Lot 118-A** Development Lease and to concurrently return **Lot 118-A** to the Master Lease Agreement.
- i) **Resolution No. 24-37** – Authorizing the Adjustment Amendment to the Master Lease with **Mesa SkyBridge, LLC** to remove SkyBridge Blvd., International Way and Peak Air Circle from the Lease and the Rentable Premises of the Property.
- j) **Resolution No. 24-38** – Approving an Authorization of Services with **Nesbitt Contracting Company, Inc. (Nesbitt)** for the Rehabilitation of Taxiway Whiskey in an amount not to exceed \$1,937,899.89 under CIP 744.
- k) **Resolution No. 24-39** – Approving an Authorization of Services with **Kimley-Horn & Associates (Kimley-Horn)** for Construction Administration Services for the Taxiway W Rehabilitation Project, in an amount not-to-exceed \$122,869.18 under CIP 744.
- l) **Resolution No. 24-40** – Authorizing the Executive Director/CEO and/or delegate to negotiate, and for the Executive Director/CEO to execute final contracts for the Airport's Common Use

Passenger Processing System (CUPPS) with **Amadeus Airport IT Americas, Inc. (Amadeus)** for equipment, installation, and support and maintenance in an amount not to exceed \$1,500,000.

- m) **Resolution No. 24-41** – Authorizing the purchase of airfield asphalt repair services with **Sunland Asphalt of Arizona, Inc. (Sunland)** for an amount not to exceed \$135,000.
- n) **Resolution No. 24-42** – Authorizing the purchase of airfield asphalt repair services with **Hi-Lite Airfield Services, LLC (Hi-Lite)** for an amount not to exceed \$130,000.
- o) **Resolution No. 24-43** – Authorizing the purchase of landside asphalt repair services with **Sunland Asphalt of Arizona, Inc. (Sunland)** for an amount not to exceed \$121,500.
- p) **Resolution No. 24-44** – Approving the amended and restated Phoenix-Mesa Gateway Airport Authority **Personnel Rules**.
- q) **Resolution No. 24-45** – Authorizing the extinguishment of the approximately 52.6-acre perpetual easement encumbering the northeast corner of **Ellsworth Road and Pecos Road**, subject to the issuance of an Instrument of Release from the **FAA** and in exchange, acquisition of the fee title to an approximately 19.6-acre parcel.

Mayor Chip Wilson moved to approve the Consent Agenda.

Mayor Brigitte Peterson seconded the motion.

The motion was carried unanimously.

Consideration and Approval of:

- 8. **Resolution No. 24-46** – Authorizing a Third Amendment to the Terminal Concession Lease Agreement with **Paradies Lagardère@AZA, LLC** to extend the initial Term of the Agreement by an additional five (5) years, from TEN (10) to FIFTEEN (15) years.

Mayor Brigitte Peterson moved to approve Resolution No. 24-46.

Mayor Chip Wilson seconded the motion.

The motion was carried unanimously.

- 9. **Resolution No. 24-47** – Authorizing a Third Amendment to the Terminal Concession Lease Agreement with **Kind Hospitality Inc.** to extend the initial Term of the Agreement by an additional five (5) years, from TEN (10) to FIFTEEN (15) years.

Mayor Chip Wilson moved to approve Resolution No. 24-47.

Mayor Brigitte Peterson seconded the motion.

The motion was carried unanimously.

- 10. **Resolution No. 24-48** – Authorizing a Third Amendment to the Restaurant and Catering Concession Lease Agreement with **Kind Hospitality Inc.** to extend the initial Term of the Agreement by an additional ten (10) years.

Mayor Chip Wilson moved to approve Resolution No. 24-48.
Mayor Brigitte Peterson seconded the motion.
The motion was carried unanimously.

- 11. Resolution No. 24-49** – Authorizing an agreement for FBO Consulting Services with **Airside FBO, LLC** and **BA Group Consulting, LLC** (“Airside FBO/BA Group”) in an amount not to exceed \$83,500.

Mayor Brigitte Peterson moved to approve Resolution No. 24-49.
Mayor Chip Wilson seconded the motion.
The motion was carried unanimously.

12. Board Member Comments/Announcements.

Councilmember Somers recognized Miranda DeWitt for her efforts along with Ryan Smith and Scott Butler in the FAA Air Traffic Control Tower pilot program.

- 13. Next Meeting: Tuesday, September 17, 2024** at 9:00 a.m. in the Board Room (Saguaro A&B) of the Gateway Administration Building, 5835 S Sossaman Road, Mesa, Arizona. Members of the Phoenix-Mesa Gateway Airport Authority may attend either in person or by audioconference.

14. Adjournment.

The meeting adjourned at 10:06 a.m.

Dated this ____ day of _____ 20__.

Misty Johnson, Clerk of the Board



Phoenix-Mesa Gateway Airport Authority
5835 S Sossaman Road
Mesa, Arizona 85212-6014
www.gatewayairport.com

Board Action Item

Re: Resolution 24-50

To: Board of Directors
From: Chris Brady, Mesa City Manager
Through: Jill Casson Owen, Snell & Wilmer
Subject: Employment Contract Amendment – Executive Director
Date: October 15, 2024

Proposed Motion

To approve a tenth amendment to the Executive Director's employment agreement effective October 1, 2024.

Narrative

The Board of Directors has approved annual and unscheduled employment contract adjustments with Mr. J. Brian O'Neill since he assumed the position of PMGAA Executive Director in 2016. The tenth amendment to Mr. O'Neill's Employment Agreement provides for a four percent (4%) increase in his base salary, effective October 1, 2024. There are no other changes to the Agreement.



RESOLUTION NO. 24-50

WHEREAS, the Phoenix-Mesa Gateway Airport Authority (“Authority”), a joint powers airport authority formed pursuant to Arizona Revised Statute §28-8521 *et seq.* owns and operates the Phoenix-Mesa Gateway Airport (“Airport”); and

WHEREAS the Authority desires to approve a tenth amendment to the Executive Director’s employment agreement effective October 1, 2024;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Authority as follows:

The Board of Directors of the Authority hereby approves a tenth amendment to the Executive Director’s employment agreement effective October 1, 2024. This resolution also authorizes the Chair to execute such agreement, with such insertions, deletions, and changes as may be approved by the Chair, necessary to carry out the purposes and intent of this Resolution.

Passed and adopted by the Authority this 15th day of October, 2024.

Julia Wheatley, Chair

ATTEST:

APPROVED AS TO FORM:

Misty Johnson, Clerk of the Board

Jill Casson Owen, Attorney

PHOENIX-MESA GATEWAY AIRPORT AUTHORITY
5835 SOUTH SOSSAMAN ROAD
MESA, ARIZONA 85212-6014



EXECUTIVE DIRECTOR'S OFFICE
PHONE (480) 988 7600
FAX (480) 988 2315

J. Brian O'Neill Fiscal Year 2024 (FY24) PMGAA Annual Performance Review

Phoenix-Mesa Gateway Airport (Airport) is the envy of airports across the country. In recent years, the Airport has received significant federal entitlement, discretionary, and Bipartisan Infrastructure Law grants and State of Arizona funding to construct an air traffic control tower, five-gate 30,000 sq. ft. terminal addition, enclosed terminal connector walkway, and several important airfield infrastructure improvement projects. The Airport has also attracted more than one million square feet of private development projects, representing over a thousand high wage jobs and hundreds of millions of dollars in regional economic impact.

Over the past decade, Phoenix-Mesa Gateway Airport Authority (PMGAA, Authority) has assembled an experienced team of highly motivated subject-matter experts serving all aspects of the Airport's operation. As Executive Director/CEO of PMGAA, my management philosophy continues to be recruit the best candidates, train them to successfully perform their unique duties, and provide them with a supportive and positive work environment. My primary responsibility is to ensure that the Airport is operated in a safe, secure, customer-focused, efficient, environmentally friendly, and financially sustainable manner.

Each year, I strive to effectively communicate and work cooperatively with the PMGAA Board of Directors and Gateway Senior Staff as representatives of PMGAA's five Member Communities; federal, state, and local partners; and other key stakeholder groups to grow and improve the Airport in a responsible manner that maximizes its economic contribution to the Phoenix East Valley region.

In FY24, PMGAA achieved a very strong financial performance and successfully completed its FAA Part 139 Certification Inspection, TSA Security Inspection, and Independent Financial Audit.

PMGAA staff continues to be guided by seven organizational goals identified by the PMGAA Board of Directors - **Increase Air Service; Maintain a High Level of Community Support; Strengthen Financial Sustainability; Invest in People and Operational Assets; Attract Commercial Development; Plan, Build, and Maintain Infrastructure; and Promote Regional Tourism.**

The information that follows is intended to highlight many of PMGAA's accomplishments during FY24.

Summary of FY24 PMGAA Organizational Achievements

- Airport Activity
 - Achieved second-best year of passenger activity – 1,839,977 total passengers
 - Allegiant added nonstop service to Portland, OR
 - Sun Country returned for the winter season with nonstop service to Minneapolis, MN
 - Continued airline recruitment efforts, meeting with current and prospective airlines Avelo, Sun Country, Southwest, JetBlue, United, Breeze, and Allegiant during the year
 - Staff attended NBAA-BACE, MRO Americas, Allegiant Airports Conference, Mead & Hunt Air Service Conference, and 2024 Take-Off North America Air Service Conference
 - Celebrated Airport's twenty millionth customer
 - DSV completed scheduled weekly international air cargo flights using B-747 aircraft
- Achieved strong FY24 financial performance - \$4,125,732 in net operating revenue and surpassed \$30 million (\$31,399,432) in operating revenue for the first time
- Successfully completed FY24 FAA Part 139 Certification Inspection with no findings
- Successfully completed FY24 TSA Security Inspection with no findings
- Received clean FY24 Independent Financial Audit
- Facilitated passage of Military Reuse Zone legislation and FAA Reauthorization Pilot Program establishing a process for contract towers to become FAA towers
- Expanded A.V.I.A.T.O.R. Terminal Volunteer Program
- Created PMGAA Employee Customer Service Training Program
- Expanded social media presence and improved Airport website
- Featured articles in ***Airport Improvement*** magazine and ***Phoenix Business Journal***
- ***2024 Best of Arizona Award*** from the Arizona Association for Economic Development (AAED)
- ***2024 Gold Level Award*** from the Healthy Arizona Worksites Program (HAWP)
- ***2024 Build Arizona Award*** from the AZ Chapter of the Associated General Contractors (AGC)
- ***2024 Award of Merit*** from Engineering News Record (ENR)
- Completed Gateway Tomorrow East Side Terminal Planning Study and produced final report
- PMGAA Construction Projects:
 - Completed Runway 12C-30C mill and overlay project
 - Completed construction of 5-gate, 30,000 sq. ft. passenger terminal addition
 - Completed construction of enclosed terminal connector walkway
 - Completed construction of 250,000 sq. ft. Alpha Apron Phase IV expansion
 - Completed construction of 150,000-gallon Fuel Farm expansion
 - Completed construction of Rental Car Care Facility improvements
 - Completed new terminal counter for Avis Budget Group
 - Demolished 13 aging Airport structures and readied 10-acre aeronautical redevelopment opportunity
 - Removed Airport Surveillance Radar (ASR) Facility
 - Began reconstruction of Runway 12R-30L (Phase I)
 - Began reconstruction of a portion of Taxiway Whiskey

- Designed new Airport entrance monument sign for intersection of Ray and Sossaman Roads
- Continued design of new TSA in-line checked baggage screening system and facility
- City of Mesa completed first 1,000 feet of Gateway Blvd and east side utility infrastructure
- Private Development Projects:
 - SkyBridge Arizona Master Development (Mesa SkyBridge, LLC)
 - Completed construction of two 250,000 sq. ft. industrial buildings
 - Completed construction of several interior public roadways and utility infrastructure
 - Gateway East Master Development (The Boyer Company, LC)
 - Began construction of 275,000 sq. ft. XNRGY Climate Systems U.S. Headquarters and manufacturing facility
 - Constructed Aviation Way, Technology Ave., and other portions of internal roadway system
 - Virgin Galactic – Nearing completion of 35,000 sq. ft. hangar and 115,000 sq. ft. manufacturing facility
 - Gulfstream Aerospace Corp.
 - Nearing completion of 225,000 sq. ft. West Coast Service Center
 - Hired more than 250 local employees
 - Gateway Commerce Center III – Completed design and COM permitting for two industrial buildings totaling 98,000 sq. ft.
 - Terminal Concessions - Opened First Jet Market

FY24 Operational Metrics

Fiscal Year End 2024 Operational Performance Metrics				
<u>METRIC</u>	<u>FY22</u>	<u>FY23</u>	<u>Prelim. FY24</u>	<u>%</u>
Total Commercial Passengers	1,815,369	1,917,911	1,839,977	-4%
Total Aircraft Operations	246,314	247,381	300,296	21%
Aircraft Landing Fee Revenue	\$1,562,305	\$1,449,905	\$1,624,059	12%
Terminal Tenant Lease Revenue	\$161,418	\$160,449	\$172,634	8%
Airline Terminal Use Fee Revenue	\$292,225	\$271,675	\$284,915	5%
Operating Revenue	\$27,718,906	\$29,581,494	\$31,399,432	6%
Terminal Concession Revenue	\$1,205,103	\$1,481,006	\$1,424,638	-4%
Facility/Land Lease Revenue	\$4,726,455	\$4,159,042	\$4,941,148	19%
Ground Transportation Revenue	\$220,792	\$243,141	\$246,768	1%
Car Rental Revenue	\$2,577,700	\$3,058,465	\$3,024,669	-1%
Vehicle Parking Revenue	\$3,921,418	\$4,648,800	\$4,841,600	4%
Fuel Sales	\$6,324,413	\$7,304,272	\$7,761,831	6%
Net Operating Income	\$4,739,767	\$3,891,271	\$4,125,732	6%

FY25 PMGAA Organizational Goals

- Successfully open Gulfstream Aerospace Corp. West Coast Service Center
- Successfully open Virgin Galactic hangar and manufacturing facility
- Complete reconstruction of Runway 30L-12R (Phase II)
- Complete reconstruction of a portion of Taxiway Whiskey
- Continued design of new TSA in-line checked baggage screening system and facility
- Continue PMGAA's Participation in Regional Transportation Planning Initiatives
- Maintain strategic partnerships with Airport tenants, ASU, and CGCC
- Extinguish easement for ASR Facility
- Increase net operating income and days of available cash on-hand
- Continue to control operational expenditures
- Promote SkyBridge Arizona Master Development
- Promote Gateway East Master Development
- Pursue all available federal, state, and local grants and other creative funding sources
- Continue providing guidance to adjacent communities on land use compatibility and other regional planning issues
- Lease Airport land to at least one new private development project
- Continue to recruit new airlines, pursue additional nonstop destinations, and increase passenger activity
- Continue to expand air cargo operations
- Achieve an exceptional FY25 FAA Part 139 Certification Inspection
- Achieve an exceptional FY25 TSA Security Inspection
- Receive a clean FY25 Independent Financial Audit
- Continue to explore opportunities to increase aeronautical and non-aeronautical revenues
- Expand Community Outreach and Social Media Programs
- Support PMGAA staff development and subject-matter training opportunities



Phoenix-Mesa Gateway Airport Authority
5835 S Sossaman Road
Mesa, Arizona 85212-6014
www.gatewayairport.com

Board Action Item

Re: Resolution 24-51

To: Board of Directors
From: Art Montoya, Information Technology Director
Through: Chuck Odom, Chief Financial Officer/CFO
J. Brian O'Neill, A.A.E., Executive Director/CEO
Subject: Microsoft Licensing Renewals – CDW Government LLC
Date: October 15, 2024

Proposed Motion

To authorize a purchase with CDW Government LLC (CDW) for annual Microsoft licensing renewals, in an amount not to exceed \$57,222.13.

Narrative

Multiple Microsoft software and programs are currently used throughout the Airport. This software requires annual licensing renewals. CDW is an authorized Microsoft reseller.

Board authorization for the purchase of the Microsoft annual software licensing renewals is necessary for continued use of the Microsoft software including the cloud-based Office 365 product suite.

Having executed a Cooperative Purchasing Agreement with the State of Arizona, PMGAA is able to procure goods and services under state contracts that have been competitively bid. The State has currently contracted with CDW for computer software under contract CTR070896. It is through this cooperative purchasing agreement that PMGAA will utilize CDW for Microsoft licensing renewals. This contact is available upon request.

Fiscal Impact

This purchase was included in the FY25 ITS Operating Budget.

Attachment(s)

Quote



RESOLUTION NO. 24-51

WHEREAS, the Phoenix-Mesa Gateway Airport Authority (“Authority”), a joint powers airport authority formed pursuant to Arizona Revised Statute §28-8521 *et seq.* owns and operates the Phoenix-Mesa Gateway Airport (“Airport”); and

WHEREAS the Authority desires to authorize a purchase with CDW Government LLC (CDW) for annual Microsoft licensing renewals, in an amount not to exceed \$57,222.13;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Authority as follows:

The Board of Directors of the Authority hereby authorizes a purchase with CDW Government LLC (CDW) for annual Microsoft licensing renewals, in an amount not to exceed \$57,222.13. This resolution also authorizes the Chair or Executive Director/CEO to make such additions, deletions, and changes as may be approved by the Chair or Executive Director/CEO, necessary to carry out the purposes and intent of this Resolution.

Passed and adopted by the Authority this 15th day of October, 2024.

Julia Wheatley, Chair

ATTEST:

APPROVED AS TO FORM:

Misty Johnson, Clerk of the Board

Jill Casson Owen, Attorney



Thank you for choosing CDW. We have received your quote.

Hardware Software Services IT Solutions Brands Research Hub

QUOTE CONFIRMATION

J. BRIAN O'NEILL,

Thank you for considering CDW•G for your technology needs. The details of your quote are below. **If you are an eProcurement or single sign on customer, please log into your system to access the CDW site.** You can search for your quote to retrieve and transfer back into your system for processing.

For all other customers, click below to convert your quote to an order.

Convert Quote to Order

Quote valid for 30 days, subject to OEM price changes.

QUOTE #	QUOTE DATE	QUOTE REFERENCE	CUSTOMER #	GRAND TOTAL
PCCS827	9/9/2024	ANNUAL PAYMENT DUE 11/1	11231946	\$57,222.13

IMPORTANT - PLEASE READ

Special Instructions: Annual Payment due 11/1
EA 80745099
Terms 11/1/2024 - 10/31/2025

QUOTE DETAILS

ITEM	QTY	CDW#	UNIT PRICE	EXT. PRICE
MS EA O365 E3 GCC P USER Mfg. Part#: AAA-11894-12-SLG TERMS 11/1/2024 - 10/31/2025 This order is non-cancelable, non-returnable unless warranted by the manufacturer Electronic distribution - NO MEDIA Contract: SVAR_AZ_CTR070896 (CTR070896)	130	3753337	\$236.97	\$30,806.10
Microsoft Entra ID P1 - subscription license - 1 user Mfg. Part#: MQM-00001-12-SLG TERMS 11/1/2024 - 10/31/2025 This order is non-cancelable, non-returnable unless warranted by the manufacturer Electronic distribution - NO MEDIA Contract: SVAR_AZ_CTR070896 (CTR070896)	130	5430962	\$54.96	\$7,144.80
Microsoft Core CAL Bridge for Office 365 - subscription license (1 month) - Mfg. Part#: AAA-12414-12-SLG TERMS 11/1/2024 - 10/31/2025 This order is non-cancelable, non-returnable unless warranted by the manufacturer Electronic distribution - NO MEDIA Contract: SVAR_AZ_CTR070896 (CTR070896)	130	3931585	\$20.20	\$2,626.00

QUOTE DETAILS (CONT.)

<u>Microsoft Audio Conferencing Select Dial Out - subscription license - 1 lic</u>	130	6976615	\$0.01	\$1.30
<p>Mfg. Part#: NYH-00001-12-SLG TERMS 11/1/2024 - 10/31/2025 This order is non-cancelable, non-returnable unless warranted by the manufacturer Electronic distribution - NO MEDIA Contract: SVAR_AZ_CTR070896 (CTR070896)</p>				
<u>MS EA WIN SVR DCCORE SA MVL</u>	42	4354663	\$126.81	\$5,326.02
<p>Mfg. Part#: 9EA-00278-SLG TERMS 11/1/2024 - 10/31/2025 This order is non-cancelable, non-returnable unless warranted by the manufacturer Electronic distribution - NO MEDIA Contract: SVAR_AZ_CTR070896 (CTR070896)</p>				
<u>MS EA VISIO P2 GCC P USER</u>	16	3576069	\$137.33	\$2,197.28
<p>Mfg. Part#: P3U-00001-12-SLG TERMS 11/1/2024 - 10/31/2025 This order is non-cancelable, non-returnable unless warranted by the manufacturer Electronic distribution - NO MEDIA Contract: SVAR_AZ_CTR070896 (CTR070896)</p>				
<u>Microsoft Office Professional Plus - software assurance - 1 PC</u>	11	2084640	\$110.52	\$1,215.72
<p>Mfg. Part#: 269-05704-SLG TERMS 11/1/2024 - 10/31/2025 This order is non-cancelable, non-returnable unless warranted by the manufacturer Electronic distribution - NO MEDIA Contract: SVAR_AZ_CTR070896 (CTR070896)</p>				
<u>Microsoft Exchange Online Plan 1 - subscription license - 1 user</u>	10	3083170	\$36.59	\$365.90
<p>Mfg. Part#: 3MS-00001-12-SLG TERMS 11/1/2024 - 10/31/2025 This order is non-cancelable, non-returnable unless warranted by the manufacturer Electronic distribution - NO MEDIA Contract: SVAR_AZ_CTR070896 (CTR070896)</p>				
<u>MS EA PROJECT P3 GCC P USER</u>	6	4381361	\$274.67	\$1,648.02
<p>Mfg. Part#: 7MS-00001-12-SLG TERMS 11/1/2024 - 10/31/2025 This order is non-cancelable, non-returnable unless warranted by the manufacturer Electronic distribution - NO MEDIA Contract: SVAR_AZ_CTR070896 (CTR070896)</p>				
<u>Microsoft SQL Server Standard Core Edition - software assurance - 2 cores</u>	4	2716749	\$590.58	\$2,362.32
<p>Mfg. Part#: 7NQ-00292-SLG TERMS 11/1/2024 - 10/31/2025 This order is non-cancelable, non-returnable unless warranted by the manufacturer Electronic distribution - NO MEDIA Contract: SVAR_AZ_CTR070896 (CTR070896)</p>				
<u>MS EA VISIO P2 GCC P USER</u>	1	3576069	\$137.33	\$137.33
<p>Mfg. Part#: P3U-00001-12-SLG</p>				

QUOTE DETAILS (CONT.)

TERMS 11/1/2024 - 10/31/2025
This order is non-cancelable,
non-returnable unless warranted by
the manufacturer
Electronic distribution - NO MEDIA
Contract: SVAR_AZ_CTR070896 (CTR070896)

SUBTOTAL	\$53,830.79
SHIPPING	\$0.00
SALES TAX	\$3,391.34
GRAND TOTAL	\$57,222.13

PURCHASER BILLING INFO	DELIVER TO
Billing Address: PHOENIX-MESA GATEWAY AIRPORT AUTH ACCOUNTS PAYABLE 5835 S SOSSAMAN RD MESA, AZ 85212-6014 Phone: (480) 988-7619 Payment Terms: Net 30 Days-Govt State/Local	Shipping Address: PHOENIX-MESA GATEWAY AIRPORT ATTN: J. BRIAN O'NEILL PHOENIX MESA GATEWAY AIRPORT 5835 S. SOSSAMAN ROAD MESA, AZ 85212 Phone: (480) 988-7619 Shipping Method: ELECTRONIC DISTRIBUTION
	Please remit payments to: CDW Government 75 Remittance Drive Suite 1515 Chicago, IL 60675-1515



Sales Contact Info

Chris Anderson | (877) 570-2643 | chrande@cdwg.com

Need Help?

My Account

Support

Call 800.800.4239

[About Us](#) | [Privacy Policy](#) | [Terms and Conditions](#)

This order is subject to CDW's Terms and Conditions of Sales and Service Projects at
<http://www.cdwg.com/content/terms-conditions/product-sales.aspx>
For more information, contact a CDW account manager.

© 2024 CDW+G LLC, 200 N. Milwaukee Avenue, Vernon Hills, IL 60061 | 800.808.4239



Phoenix-Mesa Gateway Airport Authority
5835 S Sossaman Road
Mesa, Arizona 85212-6014
www.gatewayairport.com

Board Action Item

Re: Resolution 24-52

To: Board of Directors
From: Veronica Lewis, Human Resources Director
Through: Scott Brownlee, Deputy Director/COO
J. Brian O'Neill, A.A.E., Executive Director/CEO
Subject: Employee Benefits Package for Calendar Year 2025
Date: October 15, 2024

Proposed Motion

To authorize Phoenix-Mesa Gateway Airport Authority's (PMGAA's) insurance broker, USI Insurance Services LLC, to purchase benefit plans (medical, dental, vision, basic life/accidental death & dismemberment, and short-term disability) from various carriers. This consists of a 12-month renewal January 1, 2025 through December 31, 2025 with an estimated plan cost of \$1,296,557.

Narrative

PMGAA's benefit broker, USI Insurance Services LLC, received quotes from several industry-leading insurance carriers for a 12-month renewal period. USI negotiated the best possible rate from each carrier resulting in a 9.6% increase in costs for the medical plan, which is in line with industry average. PMGAA staff is proposing that Blue Cross Blue Shield continue to be the carrier for medical benefits and offer the same two plan coverage options that are currently available.

PMGAA staff proposes that Delta Dental continue to be the carrier for dental, EyeMed continue to be the carrier for vision, and Mutual of Omaha for basic life/accidental death & dismemberment and short-term disability as there were no changes in rates. It is recommended that we maintain our Employee Assistance program with IBH Population Health Solutions.

PMGAA has found that providing a competitive benefits package is a major employee retention and attraction tool that reduces the costs – overtime, training, workplace inefficiency – associated with high employee turnover.

Fiscal Impact

Cost of the benefits package for Calendar Year 2025 is estimated to be \$1,116,465 (employer's portion) and \$180,092 (employee's portion) for a total of \$1,296,557. This reflects an 8% increase from the previous calendar year.

Attachment(s)

2025 Renewal Presentation



RESOLUTION NO. 24-52

WHEREAS, the Phoenix-Mesa Gateway Airport Authority (“Authority”), a joint powers airport authority formed pursuant to Arizona Revised Statute §28-8521 *et seq.* owns and operates the Phoenix-Mesa Gateway Airport (“Airport”); and

WHEREAS the Authority desires to authorize the Authority’s insurance broker, USI Insurance Services LLC, to purchase benefit plans (medical, dental, vision, basic life/accidental death & dismemberment, and short-term disability) from various carriers. This consists of a 12-month renewal January 1, 2025 through December 31, 2025 with an estimated plan cost of \$1,296,557;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Authority as follows:

The Board of Directors of the Authority hereby authorizes the Authority’s insurance broker, USI Insurance Services LLC, to purchase benefit plans (medical, dental, vision, basic life/accidental death & dismemberment, and short-term disability) from various carriers. This consists of a 12-month renewal January 1, 2025 through December 31, 2025 with an estimated plan cost of \$1,296,557. This resolution also authorizes the Chair or Executive Director/CEO to make such additions, deletions, and changes as may be approved by the Chair or Executive Director/CEO, necessary to carry out the purposes and intent of this Resolution.

Passed and adopted by the Authority this 15th day of October, 2024.

Julia Wheatley, Chair

ATTEST:

APPROVED AS TO FORM:

Misty Johnson, Clerk of the Board

Jill Casson Owen, Attorney



Disclaimer

The information contained in this report is for general information purposes only. The information is provided by USI Insurance Services and while we endeavour to keep the information up to date and correct, we make no representations or warranties of any kind, express or implied, about the completeness, accuracy, reliability, suitability or availability with respect to the report or the information, products, services, or related graphics contained in the report for any purpose. Any reliance you place on such information is therefore strictly at your own risk.

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Phoenix Mesa Gateway Airport Authority (PMGAA)
Cost Summary
January 1, 2025 Renewal Date

Carriers	Current	Renewal	Neg. Renewal
Medical	BCBS of AZ	BCBS of AZ	BCBS of AZ
Dental	Delta Dental	Delta Dental	Delta Dental
Vision	EyeMed	EyeMed	EyeMed
Life / AD&D	Mutual of Omaha	Mutual of Omaha	Mutual of Omaha
Voluntary Life / AD&D	Mutual of Omaha	Mutual of Omaha	Mutual of Omaha
Short Term Disability	Mutual of Omaha	Mutual of Omaha	Mutual of Omaha
Employee Assistance Program	Uprise	Uprise	Uprise
Total Annual Cost			
Medical	\$1,011,671	\$1,158,401	\$1,107,744
Dental	\$55,969	\$55,969	\$55,969
Vision	\$10,489	\$10,489	\$10,489
Life / AD&D	\$13,751	\$13,751	\$13,751
Short Term Disability	\$14,506	\$14,506	\$14,506
Employee Assistance Program	\$3,600	\$3,600	\$3,600
Annual Total	\$1,109,986	\$1,251,716	\$1,206,059
Change from Current		\$146,731	\$96,073
Percentage Change		13.3%	8.65%

Notes

1. Voluntary **Life / AD&D** is omitted from total annual cost as this coverage is fully employee paid.

Executive Summary

January 1, 2025

USI Insurance Services is pleased to present Phoenix-Mesa Gateway Airport Authority with the renewal and marketing evaluation for the 2025 plan year. The following outlines the strategies and projections for your consideration.

Medical Renewal - BCBS

Initial Renewal: 14.5%

USI's Financial Projection: No projection; First Year Fully- Insured

Negotiated Renewal:

With no plan changes: 9.5% (Includes \$7,500 Wellness Fund & \$5,000 general fund)

Dental Renewal - Delta Dental

Renewal: 0% increase

Delta Dental's renewal reflects no changes in benefits. Rates are guaranteed to January 1, 2025.

Vision Renewal - EyeMed

Renewal: 0% increase

EyeMed's contract is under a rate guarantee until January 1, 2025. There are no changes in benefits.

Life and Accidental Death & Dismemberment - Mutual of Omaha

Renewal - 0% Increase

Mutual of Omaha is in rate guarantee until January 1, 2025

Voluntary Life and Accidental Death & Dismemberment - Mutual of Omaha

Renewal 0% increase

Mutual of Omaha is in rate guarantee until January 1, 2025

Short Term Disability - Mutual of Omaha

Renewal 0% Increase

Mutual of Omaha is in rate guarantee until January 1, 2025

Critical Illness - UNUM

UNUM is in rate guarantee until January 1, 2025

Employee Assistance Program (EAP) - IBH Population Health Solutions

Renewal 0% Increase

Uprise is in rate guarantee until January 1, 2025

As of January 1, 2024, Uprise has switch from monthly billing to annual invoicing.

Thank you for this opportunity to present Phoenix-Mesa Gateway Airport Authority's renewal and market analysis. We value your business and look forward to another successful year.

Phoenix Mesa Gateway Airport Authority (PMGAA)
Medical Plan
Benefit Outline and Cost Summary
January 1, 2025 Renewal Date

\$12,500 Implementation Fund
\$7,500 Annual Wellness Fund

\$7,500 Annual Wellness Fund

Benefit Outline	Current		Renewal	
	Base	Buy-up	Base	Buy-up
Carrier	BCBS of AZ	BCBS of AZ	BCBS of AZ	BCBS of AZ
Plan Type, Name, Network	BluePreferred HSA Statewide 3200	BluePreferred PPO Statewide 500	BluePreferred HSA Statewide 3200	BluePreferred PPO Statewide 500
Deductible (Individual / Family)	\$3,200 / \$6,400	\$500 / \$1,000	\$3,300 / \$6,600	\$500 / \$1,000
Non-Network Deductible (Individual / Family)	\$6,400 / \$12,800	\$1,000 / \$2,000	\$6,400 / \$12,800	\$1,000 / \$2,000
Deductible Embedded / Non-Embedded	Embedded	Embedded	Embedded	Embedded
Out-of-Pocket Maximum (Individual / Family)	\$5,500 / \$11,000	\$4,500 / \$9,000	\$5,500 / \$11,000	\$4,500 / \$9,000
Non-Network OOP Max (Individual / Family)	\$11,000 / \$22,000	\$9,000 / \$18,000	\$11,000 / \$22,000	\$9,000 / \$18,000
Annual HSA Contribution (EE / EE+1 / Family)	\$1,350 / \$1,900 / \$2,500	N/A	\$1,350 / \$1,900 / \$2,500	N/A
Coinsurance (In / Out)	80% / 50%	80% / 50%	80% / 50%	80% / 50%
Wellness / Preventive Care	100%	100%	100%	100%
Primary Care Office Visit	80% after deductible	\$25 copay	80% after deductible	\$25 copay
Specialist Office Visit	80% after deductible	\$45 copay	80% after deductible	\$45 copay
Walk-In / Urgent Care Visit	80% after deductible	\$60 copay	80% after deductible	\$60 copay
Emergency Room	80% after deductible	\$350 copay	80% after deductible	\$350 copay
Outpatient Lab / X-Ray	80% after deductible	OV copay or 80% after deductible	80% after deductible	OV copay or 80% after deductible
Complex Imaging (MRI, CAT, PET, et al.)	80% after deductible	OV copay or 80% after deductible	80% after deductible	OV copay or 80% after deductible
Outpatient Surgical Facility	80% after deductible	80% after deductible	80% after deductible	80% after deductible
Inpatient Hospital Facility	80% after deductible	80% after deductible	80% after deductible	80% after deductible
Retail Prescription Drug Copays	20% after deductible	\$15 / \$55 / \$85 / \$150	20% after deductible	\$15 / \$55 / \$85 / \$150
Mail Order Prescription Drug Copays	20% after deductible	\$30 / \$110 / \$170 / \$300	20% after deductible	\$30 / \$110 / \$170 / \$300
Specialty Prescription Drugs	20% after deductible	\$60 / \$110 / \$160 / \$210	20% after deductible	\$60 / \$110 / \$160 / \$210
Rates & Total Cost	Base	Buy-up		
Employee	20	27	\$447.12	\$661.18
Employee + Spouse	5	6	\$983.66	\$1,454.60
Employee + Child(ren)	1	2	\$849.53	\$1,256.24
Employee + Spouse & Child(ren)	15	9	\$1,430.78	\$2,115.78
Total Employees	41	44		
Annual Subtotal			\$434,063	\$577,608
Percent Change by Plan				14.2%
Annual Premium Total				\$1,011,671
Change from Current				\$146,731
Percentage Change				14.5%

Phoenix Mesa Gateway Airport Authority (PMGAA)
Medical Plan
Benefit Outline and Cost Summary
January 1, 2025 Renewal Date

\$12,500 Implementation Fund
\$7,500 Annual Wellness Fund

\$5,000 General Fund
\$7,500 Annual Wellness Fund

Benefit Outline	Base		Current Buy-up	Neg. Renewal		
Carrier	BCBS of AZ		BCBS of AZ	BCBS of AZ		
Plan Type, Name, Network	BluePreferred HSA Statewide	BluePreferred PPO Statewide	BluePreferred HSA Statewide	BluePreferred PPO Statewide		
	3200	500	3200	500		
Deductible (Individual / Family)	\$3,200 / \$6,400	\$500 / \$1,000	\$3,300 / \$6,600	\$500 / \$1,000		
Non-Network Deductible (Individual / Family)	\$6,400 / \$12,800	\$1,000 / \$2,000	\$6,400 / \$12,800	\$1,000 / \$2,000		
Deductible Embedded / Non-Embedded	Embedded	Embedded	Embedded	Embedded		
Out-of-Pocket Maximum (Individual / Family)	\$5,500 / \$11,000	\$4,500 / \$9,000	\$5,500 / \$11,000	\$4,500 / \$9,000		
Non-Network OOP Max (Individual / Family)	\$11,000 / \$22,000	\$9,000 / \$18,000	\$11,000 / \$22,000	\$9,000 / \$18,000		
Annual HSA Contribution (EE / EE+1 / Family)	\$1,350 / \$1,900 / \$2,500	N/A	\$1,350 / \$1,900 / \$2,500	N/A		
Coinsurance (In / Out)	80% / 50%	80% / 50%	80% / 50%	80% / 50%		
Wellness / Preventive Care	100%	100%	100%	100%		
Primary Care Office Visit	80% after deductible	\$25 copay	80% after deductible	\$25 copay		
Specialist Office Visit	80% after deductible	\$45 copay	80% after deductible	\$45 copay		
Walk-In / Urgent Care Visit	80% after deductible	\$60 copay	80% after deductible	\$60 copay		
Emergency Room	80% after deductible	\$350 copay	80% after deductible	\$350 copay		
Outpatient Lab / X-Ray	80% after deductible	OV copay or 80% after deductible	80% after deductible	OV copay or 80% after deductible		
Complex Imaging (MRI, CAT, PET, et al.)	80% after deductible	OV copay or 80% after deductible	80% after deductible	OV copay or 80% after deductible		
Outpatient Surgical Facility	80% after deductible	80% after deductible	80% after deductible	80% after deductible		
Inpatient Hospital Facility	80% after deductible	80% after deductible	80% after deductible	80% after deductible		
Retail Prescription Drug Copays	20% after deductible	\$15 / \$55 / \$85 / \$150	20% after deductible	\$15 / \$55 / \$85 / \$150		
Mail Order Prescription Drug Copays	20% after deductible	\$30 / \$110 / \$170 / \$300	20% after deductible	\$30 / \$110 / \$170 / \$300		
Specialty Prescription Drugs	20% after deductible	\$60 / \$110 / \$160 / \$210	20% after deductible	\$60 / \$110 / \$160 / \$210		
Rates & Total Cost	Base	Buy-up				
Employee	20	27	\$447.12	\$661.18	\$488.93	\$724.69
Employee + Spouse	5	6	\$983.66	\$1,454.60	\$1,075.65	\$1,594.32
Employee + Child(ren)	1	2	\$849.53	\$1,256.24	\$928.97	\$1,376.91
Employee + Spouse & Child(ren)	15	9	\$1,430.78	\$2,115.78	\$1,564.58	\$2,319.01
Total Employees	41	44				
Annual Subtotal			\$434,063	\$577,608	\$474,654	\$633,090
Percent Change by Plan					9.4%	9.6%
Annual Premium Total				\$1,011,671		\$1,107,744
Change from Current						\$96,073
Percentage Change						9.5%

Phoenix Mesa Gateway Airport Authority (PMGAA)

Dental Plan

Benefit Outline and Cost Summary

January 1, 2025 Renewal Date

Benefit Outline		Current	Renewal
Carrier		Delta Dental of Arizona	Delta Dental of Arizona
Plan Type		Dental PPO	Dental PPO
Deductible (Individual / Family)		\$50 / \$150	\$50 / \$150
Waived For Preventive		Yes	Yes
Annual Maximum		\$2,000	\$2,000
Preventive Services		100%	100%
Basic Services		90%	90%
Major Services		60%	60%
Endodontics / Periodontics		90%	90%
Implants		60%	60%
Orthodontia		50%	50%
Eligibility		50%	50%
Lifetime Maximum		\$1,000	\$1,000
Waiting Periods (Prev. / Basic / Major)		None	None
Non-Network		MAC	MAC
Deductible (Individual / Family)		\$50 / \$150	\$50 / \$150
Annual Maximum		\$2,000	\$2,000
Prev. / Basic / Major		100% / 80% / 50%	100% / 80% / 50%
Rate Guarantee		1/1/2024	1/1/2025
Rates & Total Cost			
Employee	49	\$25.33	\$25.33
Employee + 1 Dependent	15	\$63.89	\$63.89
Employee + 2 Dependent	26	\$94.79	\$94.79
Total Employees	90		
Annual Total		\$55,969	\$55,969
Change From Current			\$0
Percentage Change			0.0%

Phoenix Mesa Gateway Airport Authority (PMGAA)
Vision Plan
Benefit Outline and Cost Summary
January 1, 2025 Renewal Date

Benefit Outline		EyeMed Current	EyeMed Renewal
Exam Copay		\$20	\$20
Materials Copay		\$0	\$0
Exam		100% after \$20 copay	100% after \$20 copay
Lenses			
Single		100%	100%
Bifocal		100%	100%
Trifocal		100%	100%
Lenticular		100%	100%
Frames		Up to \$130 allowance; 20% off balance	Up to \$130 allowance; 20% off balance
Elective Contacts		Up to \$130 allowance; 15% off balance	Up to \$130 allowance; 15% off balance
Benefit Frequencies (E/L/F/C)		12 / 12 / 12 / 12	12 / 12 / 12 / 12
Non-network Benefits		Schedule	Schedule
Rate Guarantee		1/1/2024	1/1/2025
Rates and Premium	Current		
Employee	49	\$5.61	\$5.61
Employee + 1 Dependent	18	\$10.67	\$10.67
Employee + 2+ Dependents	26	\$15.66	\$15.66
Total Employees	93		
Annual Total		\$10,489	\$10,489
Change from Current			\$0
Percentage Change			0%

Phoenix Mesa Gateway Airport Authority (PMGAA)
Life / AD&D Plan
Benefit Outline and Cost Summary
January 1, 2025 Renewal Date

Benefit Outline	Current	Renewal
Carrier	Mutual of Omaha Insurance	Mutual of Omaha Insurance
Contributory / Non-Contributory	Non-Contributory	Non-Contributory
Eligibility	FTE Working ≥ 40 HPW	FTE Working ≥ 40 HPW
Class 1	Salaries less than \$40K	Salaries less than \$40K
Class 2	Salaries greater than \$40K	Salaries greater than \$40K
Class 3	Executive Director	Executive Director
Benefit Amount (Class 1 / 2 / 3)	Flat / 1x Annual Earnings / 2x Annual Earnings	Flat / 1x Annual Earnings / 2x Annual Earnings
Benefit Maximums (Class 1 / 2 / 3)	\$40,000 / \$150,000 / \$410,000	\$40,000 / \$150,000 / \$410,000
Guarantee Issue	Full Benefit Amount	Full Benefit Amount
Benefit Reductions	Reduces To: 65% at Age 70; 50% at Age 75	Reduces To: 65% at Age 70; 50% at Age 75
Waiver of Premium	9 Mo. Elimination Period	9 Mo. Elimination Period
Benefits Extend To	Age 65	Age 65
If Disabled Prior To	Age 60	Age 60
Accelerated Benefits	Included	Included
Life Expectancy	Terminal Conditin;< 12 Mo.	Terminal Conditin;< 12 Mo.
Benefit Amount Accessible	80%	80%
Portability	Included	Included
Conversion	Included	Included
Rate Guarantee	1/1/2024	1/1/2025
Volumes, Rates & Total Cost		
Number of Employees	109	109
Benefit Volume	\$8,185,000	\$8,185,000
Life Rate Per \$1,000	\$0.110	\$0.110
AD&D Rate Per \$1,000	\$0.030	\$0.030
Rate Per Family Unit		
Annual Total	\$13,751	\$13,751
Change From Current		\$0
Percentage Change		0.0%

Phoenix Mesa Gateway Airport Authority (PMGAA)
Voluntary Life / AD&D Plan
Benefit Outline and Cost Summary
January 1, 2025 Renewal Date

Benefit Outline	Current	Renewal
Carrier	Mutual of Omaha Insurance Company	Mutual of Omaha Insurance Company
Definition of Earnings	Base Salary Only	Base Salary Only
Eligibility	FTE Working ≥ 30 HPW	FTE Working ≥ 30 HPW
Child Age Requirement	14 Days to Age 26	14 Days to Age 26
Benefit Increments		
Employee	\$10,000	\$10,000
Spouse	\$5,000	\$5,000
Children	\$2,000	\$2,000
Benefit Maximums		
Employee	5 x Salary to \$500,000	5 x Salary to \$500,000
Spouse	100% of EE Amt to \$100,000	100% of EE Amt to \$100,000
Children	\$10,000	\$10,000
Guarantee Issue		
Employee	\$100,000	\$100,000
Spouse	\$25,000	\$25,000
Children	Full Benefit Amount	Full Benefit Amount
Benefit Reductions	Reduces To: 65% at Age 70; 50% at Age 75	Reduces To: 65% at Age 70; 50% at Age 75
Waiver of Premium	9 Mo. Elimination Period	9 Mo. Elimination Period
Benefits Extend to	Age 65	Age 65
If Disabled Prior to	Age 60	Age 60
Portability	Included	Included
Conversion	Included	Included
Rate Guarantee	1/1/2024	1/1/2025
Life Per \$1,000	Employee / Spouse	Employee / Spouse
Under Age 25	\$0.090	\$0.090
25-29	\$0.090	\$0.090
30-34	\$0.090	\$0.090
35-39	\$0.120	\$0.120
40-44	\$0.180	\$0.180
45-49	\$0.300	\$0.300
50-54	\$0.480	\$0.480
55-59	\$0.800	\$0.800
60-64	\$0.990	\$0.990
65-69	\$1.470	\$1.470
70-74	\$2.840	\$2.840
75-99	\$2.840	\$2.840
Child Life	\$0.245	\$0.245
AD&D Per \$1,000		
EE / SP AD&D	\$0.030	\$0.030
Child AD&D	\$0.030	\$0.030

Phoenix Mesa Gateway Airport Authority (PMGAA)
Short Term Disability Plan
Benefit Outline and Cost Summary
January 1, 2025 Renewal Date

Benefit Outline	Current	Renewal
Carrier	Mutual of Omaha	Mutual of Omaha
Definition of Earnings	Base Salary Only	Base Salary Only
Contributory / Non-Contributory	Non-Contributory	Non-Contributory
Eligibility	FTE Working ≥ 30 HPW	FTE Working ≥ 30 HPW
Elimination Period		
Accident	30 days	30 days
Sickness	30 days	30 days
Benefit Percentage	60%	60%
Maximum Weekly Benefit	\$1,000	\$1,000
Definition of Disability	Duties and Earnings	Duties and Earnings
Benefit Duration (after EP)	26 weeks	26 weeks
Pre-Existing Conditions Exclusion	None text	None text
Rate Guarantee	1/1/2024	1/1/2025
Volumes, Rates & Total Cost		
Number of Employees	109	109
Volume: Covered Benefit	\$80,588	\$80,588
STD Rate Per \$10	\$0.150	\$0.150
ASO / ATP Rate PEPM		
Annual Total	\$14,506	\$14,506
Change From Current		\$0
Percentage Change		0.0%

Phoenix-Mesa Gateway Airport Authority (PMGAA)
Voluntary Critical Illness
Benefit Outline and Cost Summary
January 1, 2025 Renewal Date

UNUM - Current / Renewal

Benefit Outline

UNUM - Traditional Enrollment		Monthly Premium							
Eligibility	All active FTE's working ≥ 30 hpw		Employee						
Covered Conditions	1st Occurrence	2nd Occurrence	Benefit Amount	< 25	25-29	30-34	35-39	40-44	45-49
Cancer			\$10,000	\$3.08	\$3.68	\$4.48	\$5.38	\$7.28	\$10.18
Invasive Cancer	100%	100%	\$20,000	\$4.28	\$5.48	\$7.08	\$8.88	\$12.68	\$18.48
Carcinoma in Situ	25%	25%							
Benign Brain Tumor	100%	100%		50-54	55-59	60-64	65-69	70-74	75-79
Skin Cancer	\$500	\$500	\$10,000	\$14.78	\$20.48	\$29.38	\$43.08	\$64.28	\$89.78
Vascular			\$20,000	\$27.68	\$39.08	\$56.88	\$84.28	\$126.68	\$177.68
Heart Attack	100%	100%							
Stroke	100%	100%		80-84	85+				
Heart Failure	100%	100%	\$10,000	\$123.68	\$194.18				
Coronary Arteriosclerosis	50%	50%	\$20,000	\$245.48	\$386.48				
Other				Spouse					
Organ Failure	100%	100%	Benefit Amount	< 25	25-29	30-34	35-39	40-44	45-49
Kidney Failure	100%	100%	\$5,000	\$2.48	\$2.78	\$3.18	\$3.63	\$4.58	\$6.03
Wellness Benefit	\$50 per year payment for wellnes screenings		\$10,000	\$3.08	\$3.68	\$4.48	\$5.38	\$7.28	\$10.18
Dependent Age Limit	0 days old to 26 years old								
Pre-Existing Conditions	12 / 12			50-54	55-59	60-64	65-69	70-74	75-79
Benefit Increments	Employee: \$10,000 Spouse: 50%		\$5,000	\$8.33	\$11.18	\$15.63	\$22.48	\$33.08	\$45.83
Guarantee Issue	Employee: \$20,000 Spouse: 50%		\$10,000	\$14.78	\$20.48	\$29.38	\$43.08	\$64.28	\$89.78
Benefit Separation Period	3 months								
Participation (Required)	10 enrolled or 5%, the greater of								
Rate Guarantee	To January 1, 2024			80-84	85+				
			\$5,000	\$62.78	\$98.03				
			\$10,000	\$123.68	\$194.18				

Phoenix Mesa Gateway Airport Authority (PMGAA)
Employee Assistance Program
Benefit Outline and Cost Summary
January 1, 2025 Renewal Date

Benefit Outline	Current/Renewal
Carrier	IBH Population Health Solutions
Number of In-Person Counseling Visits	6
Available to dependents	Yes
Telephonic Counseling	Included
Online Counseling	Included
Child Care Consultation	Included
Elder Care Consultation	Included
Financial Consultation	Included
Legal Consultation	Included
School Selection Assistance/College Assistance	Included
Online Member Portal	Included
Wellbeing Assessment w/ Personalized care Plan	Not Included
Self-Guided Cognitive Behavioral Therapy	Not Included
Uprise Health Digital EAP Platform	Not Included
Health Coaching	Not Included
Employee Supervisor Training	Included
Rate Guarantee	
Rates & Total Cost	
Number of Employees	109
PEPM Fee	N/A
Quarterly Fee	\$750.00
Annual Total	\$3,600
Change From Current	\$0
Percentage Change	0.0%

Phoenix Mesa Gateway Airport Authority (PMGAA)
USI Administered Employee Benefit Plans
Compensation Disclosure
January 1, 2025 Renewal Date

USI is making the following compensation information available effective with the renewal date above. For ERISA group health plan fiduciaries this is in accordance with requirements under ERISA 408(b)(2).

1. The direct compensation USI expects to receive for servicing your health benefits is:

		Current \$32,000 per year		Renewal \$34,000 per year	
		Broker Fee, independent from any specific coverage/plan below			
	<u>Plan Type</u>	<u>Negotiated Renewal</u>			
Medical (Fully Insured)	Medical PPO	BCBS of AZ		0.0%	
Dental	Dental PPO	Delta Dental of Arizona		0.0%	
Vision	Vision	Mutual of Omaha Insurance Company		0.0%	
Employee Assistance Program	Employee Assistance Program (EAP)	Uprise		0.0%	
Voluntary Critical Illness	Voluntary Critical Illness	Unum Life Insurance Company of America		0.0%	
Non health plans; one or more of life, disability, non-ERISA stop loss, other ancillary		Ranges from 0%			

2. The expected indirect compensation USI expects to receive is:

It is possible that some of the insurance companies from which USI obtains coverage may pay it additional incentive commissions, sometimes referred to as contingent, supplemental, or bonus commissions, which may be based on the total volume of business we sell for them, and/or the growth rate of that business, retention rate, claims loss ratio, or other factors considering our entire book of business with an insurance company for a designated period of time. Such additional commissions, if any, would be in addition to any other compensation USI may receive. By coverage type indirect compensation ranges are as follows:

Medical & Stop Loss approximately 0%
Dental, Vision, Ancillary approximately 0%

35. The services USI will provide include some or all of the following:

Design of health care plans, cost-containment and other plan design recommendations. Preparation of bid specifications (RFP). Analysis of proposals and presentation of findings. Renewal analysis and negotiation. Reporting/Service Meetings. Contract Review. Employee Meetings. Employer/Employee Communications.

4. USI does not offer or provide fiduciary services to the plan.

5. In some cases USI may involve the services of a general agent based carrier requirements or distribution model. In some cases general agent may be owned by USI, and will receive compensation in addition to what is detailed above, and will be in the range of 1% to 2% of medical premium or \$3.00 to \$16 PEPM based on enrolled and 1% to 6% on dental and vision premium.

6. This disclosure document includes the disclosures USI is required to make in accordance with ERISA Section 408(b)(2). Any other plan service provider that is subject to the 408(b)(2) disclosure requirements is required to make its own independent 408(b)(2) disclosure and any such disclosures are not included in this disclosure.



Phoenix-Mesa Gateway Airport Authority
5835 S Sossaman Road
Mesa, Arizona 85212-6014
www.gatewayairport.com

Board Action Item

Re: Resolution 24-53

To: Board of Directors
From: Chuck Odom, Chief Financial Officer
Through: J. Brian O'Neill, A.A.E., Executive Director/CEO
Subject: Air Service Development Consulting Services – Mead & Hunt, Inc.
Date: October 15, 2024

Proposed Motion

To authorize an increase in spending for Air Service Development Consulting Services with Mead & Hunt, Inc. (Mead & Hunt), in an amount not-to-exceed \$90,000 for the remainder of the contract for a total not-to-exceed amount of \$140,000.

Narrative

On June 16, 2020, the Board approved a contract for Air Service Development Consulting Services with Mead & Hunt, Resolution #20-20, in an amount not-to-exceed \$50,000 for the five-year term of the contract. These services were procured competitively under a formal solicitation. Since contract inception, Airport staff have authorized \$44,277.50 for services to Mead & Hunt.

Airport Development Services are critical to the Airport's continued growth and sustainability. Mead & Hunt provides assistance with air service retention and the recruitment of new airlines and additional air service. Airport staff utilizes these resources to provide market and route analysis, airline relationships, airline meeting presentations, incentive program development, and on-call data research.

Additional capacity under Mead & Hunt's contract is required to continue these services.

Fiscal Impact

Funding for this contract is included in the FY25 EDO Operating Budget.

Attachment(s)

N/A



RESOLUTION NO. 24-53

WHEREAS, the Phoenix-Mesa Gateway Airport Authority (“Authority”), a joint powers airport authority formed pursuant to Arizona Revised Statute §28-8521 *et seq.* owns and operates the Phoenix-Mesa Gateway Airport (“Airport”); and

WHEREAS the Authority desires to authorize an increase in spending for Air Service Development Consulting Services with Mead & Hunt, Inc. (Mead & Hunt), in an amount not-to-exceed \$90,000 for the remainder of the contract for a total not-to-exceed amount of \$140,000;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Authority as follows:

The Board of Directors of the Authority hereby authorizes an increase in spending for Air Service Development Consulting Services with Mead & Hunt, Inc. (Mead & Hunt), in an amount not-to-exceed \$90,000 for the remainder of the contract for a total not-to-exceed amount of \$140,000. This resolution also authorizes the Chair or Executive Director/CEO to make such additions, deletions, and changes as may be approved by the Chair or Executive Director/CEO, necessary to carry out the purposes and intent of this Resolution.

Passed and adopted by the Authority this 15th day of October, 2024.

Julia Wheatley, Chair

ATTEST:

APPROVED AS TO FORM:

Misty Johnson, Clerk of the Board

Jill Casson Owen, Attorney



Phoenix-Mesa Gateway Airport Authority
5835 S Sossaman Road
Mesa, Arizona 85212-6014
www.gatewayairport.com

Board Action Item

Re: Resolution 24-54

To: Board of Directors
From: Matt Nebgen, Gateway Aviation Services Director
Through: Scott Brownlee, Deputy Director/COO
J. Brian O'Neill, A.A.E., Executive Director/CEO
Subject: 7,000 Gallon Aircraft Refueler – SkyMark Refuelers, LLC
Date: October 15, 2024

Proposed Motion

To authorize the purchase of one new 7,000-gallon aircraft refueler from SkyMark Refuelers, LLC (SkyMark) in an amount not to exceed \$373,961.40.

Narrative

Phoenix Mesa Gateway Airport Authority's Fixed Base Operator, Gateway Aviation Services, uses JetA mobile refuelers to service a wide range of customer aircraft including commercial, corporate, military, and general aviation aircraft. The current refueler has reached the end of its useful life cycle and is in need of replacement.

The proposed fuel truck is a 7,000 gallon JetA refueler with upgraded technology for safety and quality control.

The Request for Proposal (RFP), Solicitation 2025-002-RFP was issued on August 8, 2024, and advertised in the Arizona Business Gazette on 8/15, 8/22, 8/29, and 9/5/24. The Notice of RFP was also posted on the AzAA, ACI-NA, and SWAAAE websites, as well as the Phoenix-Mesa Gateway Airport Authority website. In addition, the RFP was emailed to a list of five (5) prospective firms. Airport staff received two (2) proposals:

Garsite, LLC
SkyMark Refuelers, LLC

After reviewing the submitted proposals, the Evaluation Panel selected SkyMark. The proposal met all requirements and minimum specifications. The Panel unanimously ranked SkyMark's proposal as number one based on pricing and payment terms, demonstrated successful performance, and warranty period.

Fiscal Impact

This purchase is included in the FY25 capital budget and is funded with Non-Grant Capital funds as Project #1254.

Attachment(s)

Price Proposal



RESOLUTION NO. 24-54

WHEREAS, the Phoenix-Mesa Gateway Airport Authority (“Authority”), a joint powers airport authority formed pursuant to Arizona Revised Statute §28-8521 *et seq.* owns and operates the Phoenix-Mesa Gateway Airport (“Airport”); and

WHEREAS the Authority desires to authorize the purchase of one new 7,000-gallon aircraft refueler from SkyMark Refuelers, LLC (SkyMark) in an amount not to exceed \$373,961.40;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Authority as follows:

The Board of Directors of the Authority hereby authorizes the purchase of one new 7,000-gallon aircraft refueler from SkyMark Refuelers, LLC (SkyMark) in an amount not to exceed \$373,961.40. This resolution also authorizes the Chair or Executive Director/CEO to make such additions, deletions, and changes as may be approved by the Chair or Executive Director/CEO, necessary to carry out the purposes and intent of this Resolution.

Passed and adopted by the Authority this 15th day of October, 2024.

Julia Wheatley, Chair

ATTEST:

APPROVED AS TO FORM:

Misty Johnson, Clerk of the Board

Jill Casson Owen, Attorney

Attachment B
Price Proposal

Item	Price
One (1) New 7,000 Gallon Aircraft Refueler	\$ <u>333,800.00</u>
Manuals on Maintenance, Operations, and Parts – 1 Set Each (Hard Copy & Digital)	\$ <u>Included</u>
Sales Tax, 8.3% PMGAA is NOT tax exempt. If Offeror does not collect sales tax on behalf of the State of Arizona when invoicing, Offeror should still include tax at a rate of 7.6% for Use Tax.	\$ <u>27,705.40</u>
Shipping	\$ <u>6,000.00</u>
Total	\$ <u>367,505.40</u>

ADD ALTERNATE PROPOSAL Items	Price
Passenger side back-up camera	\$ <u>2,000.00</u>
Safety tracking technology	\$ <u>N/A</u>
Diagnostic software and technology	\$ <u>4,000.00</u>
Sales Tax, 8.3% PMGAA is NOT tax exempt. If Offeror does not collect sales tax on behalf of the State of Arizona when invoicing, Offeror should still include tax at a rate of 7.6% for Use Tax.	\$ <u>456.00</u>
Total	\$ <u>6,456.00</u>



Phoenix-Mesa Gateway Airport Authority
5835 S Sossaman Road
Mesa, Arizona 85212-6014
www.gatewayairport.com

Board Action Item

Re: Resolution 24-55

To: Board of Directors
From: Bob Draper, P.E., LEED AP, CM Engineering & Facilities Director
Through: Scott Brownlee, Deputy Director/COO
J. Brian O'Neill, A.A.E., Executive Director/CEO
Subject: Roof Coating Phase 2 – Jim Brown and Sons Roofing Co., Inc. - CIP1262
Date: October 15, 2024

Proposed Motion

To authorize a contract for the Roof Coating Phase 2 Project with Jim Brown and Sons Roofing Co., Inc., dba JBS Roofing (JBS), to complete roof repairs and recoating on a number of PMGAA owned facilities, in an amount not to exceed \$175,983.49 under CIP1262.

Narrative

The Phoenix-Mesa Gateway Airport Authority's (PMGAA) Engineering and Facilities Department is responsible for the maintenance and repair of the Airport's facilities. Many of the roofing systems on PMGAA buildings are in need of repairs and maintenance, which will assist in extending their useful lives.

Roof Coating Phase 1 services were completed in FY24, and Roof Coating Phase 2 services are scheduled to be completed in FY25. These services include repairing and recoating the roofs on nine (9) airport structures. The Scope of Work and quote sheets received from JBS for Roof Coating Phase 2 repairs total \$125,983.49, and will include, but are not limited to, removing non-asbestos materials, metal edges and flashing, installation of new roofing materials, labor and a 10-year manufacturing warranty as applicable. Due to the age and condition of these roofs, staff is requesting to have an additional \$50,000 available in the event the contractor runs into unexpected issues, and additional funds are needed to complete the repairs.

PMGAA and JBS are both participants of the Mohave Educational Services Cooperative (MESC) Purchasing Group. Under MESC, JBS was awarded Roofing and Roofing Systems Installation, Products, and Services Contract #23L-JBSR-0419, and it is through this competitive selection that PMGAA will utilize JBS for these roofing services. This contract is available upon request.

Fiscal Impact

This project is included in the FY25 Capital Budget, utilizing PMGAA non-grant funding, under CIP1262.

Attachment(s): Scope of Work/Fee Sheets



RESOLUTION NO. 24-55

WHEREAS, the Phoenix-Mesa Gateway Airport Authority (“Authority”), a joint powers airport authority formed pursuant to Arizona Revised Statute §28-8521 *et seq.* owns and operates the Phoenix-Mesa Gateway Airport (“Airport”); and

WHEREAS the Authority desires to authorize a contract for the Roof Coating Phase 2 Project with Jim Brown and Sons Roofing Co., Inc., dba JBS Roofing (JBS), to complete roof repairs and recoating on a number of PMGAA owned facilities, in an amount not to exceed \$175,983.49 under CIP1262;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Authority as follows:

The Board of Directors of the Authority hereby authorizes a contract for the Roof Coating Phase 2 Project with Jim Brown and Sons Roofing Co., Inc., dba JBS Roofing (JBS), to complete roof repairs and recoating on a number of PMGAA owned facilities, in an amount not to exceed \$175,983.49 under CIP1262. This resolution also authorizes the Chair or Executive Director/CEO to make such additions, deletions, and changes as may be approved by the Chair or Executive Director/CEO, necessary to carry out the purposes and intent of this Resolution.

Passed and adopted by the Authority this 15th day of October, 2024.

Julia Wheatley, Chair

ATTEST:

APPROVED AS TO FORM:

Misty Johnson, Clerk of the Board

Jill Casson Owen, Attorney



ROC 061127, 082024, 198099, 287012

Industrial Commercial Residential Maintenance

MESC #23L-JBSR-0419

JOB NAME: Phoenix - Mesa Gateway Airport Building #15 Ticketing

ADDRESS, CITY, STATE, ZIP: 6033-1 S Sossaman Mesa, AZ

ITEM #	DESCRIPTION	UNIT	QUANTITY	COST	TOTAL	LOCATION
1.121r	roof investgation, repairs 2 man crew	hr	16	\$190.00	\$3,040.00	
1.9d	caulking 1 component	lf	1000	\$2.19	\$2,190.00	
1.7a	removal of exsting caulking and clean joint	lf	1,000	\$0.75	\$750.00	
TOTAL					\$5,980.00	

<u>DATE</u>	<u>SQUARE FEET</u>	<u>QUOTE VALID</u>
September 12, 2024	25,900	30 DAYS

Date: September 12, 2024

Billing Name: Phoenix Mesa Gateway Airport
Address: 5835 S Sossaman Rd
City, State, Zip Code: Mesa, AZ. 85212
Attn:

Project Name: Building #15 maintenance
Address: 6033 S Sossaman
City, State, Zip Code: Mesa, AZ. 85212

Grand Total: \$5,980.00

MESC #23L-JBSR-0419

Square Feet : 25,900 SF

Scope of Work

- Dig out existing caulking at top of wall reglet and clean the joint
- Install new caulking at the top of the wall reglet
- Install TPO patches on the north side of the building covering the punctures in the roof
- **Exclusions: Night Time Working Hours, Building Permit, NESHAP Report, Asbestos Abatement, Structural Report and Davis Bacon Prevailing Wages**

Chester Goldmeier

Date: September 16, 2024

Billing Name: Phoenix Mesa Gateway Airport
Address: 5835 S Sossaman Rd
City, State, Zip Code: Mesa, AZ. 85212

Project Name: Building #41 Roof Restoration
Address: 5835 S Sossaman
City, State, Zip Code: Mesa, AZ. 85212

Grand Total: \$53,308.12

MESC #23L-JBSR-0419

Square Feet : 14,500 SF

Scope of Work

- Wash roof clean with bio degradable detergent and high-pressure water and let dry
- Make all necessary repairs to the existing roof using the 3-course method. Products used will be acrylic coatings or brush grade acrylic caulking and polyester web
- Spray a prime coat of acrylic coating at the rate of 1 gallon for every 100 square feet and allow to dry
- Spray a base coat of acrylic coatings at the rate of 1.5 gallons for every 100 square feet and embed a full length 40" polyester web into the wet base coat and immediately cover the web with an intermediate coat at the rate of 1.5 gallons for every 100 square feet and allow to cure
- Spray a final coat of acrylic coatings at the rate of 1.5 gallons for every 100 square feet and allow to cure (NO FOOT TRAFFIC FOR 72 HRS AFTER WE LEAVE THE ROOF)
- We will spray the vertical portions of the roof (AC curbs and wall flashings with a total of 3 gallons of acrylic coatings for every 100 square feet done in 3 passes. We will extend the coatings on the inside of the walls approximately 8" above the existing metal wall flashings.
- Provide manufactures 15-year warranty and JBS 2 year workmanship warranty when paid in full
- **Exclusions: Night Time Working Hours, Building Permit, NESHAP Report, Asbestos Abatement, Structural Report and Davis Bacon Prevailing Wages**

Chester Goldmeier



ROC 061127, 082024, 198099, 287012

Industrial Commercial Residential Maintenance

MESC #23L-JBSR-0419

JOB NAME: Phoenix - Mesa Gateway Airport Building #45 Roof Hatch

ADDRESS, CITY, STATE, ZIP: 5803 S Sossaman Mesa, AZ

ITEM #	DESCRIPTION	UNIT	QUANTITY	COST	TOTAL	LOCATION
1.121r	roof investgation, repairs 2 man crew	hr	2	\$190.00	\$380.00	
1.117b	roof hatch steel 2'6 x 3'	ea	1	\$2,062.50	\$2,062.50	
1.121uu	crane less than 80'	ea	1	\$1,500.00	\$1,500.00	
TOTAL					\$3,942.50	

<u>DATE</u>	<u>SQUARE FEET</u>	<u>QUOTE VALID</u>
September 16, 2024	NA	30 DAYS

Date: September 12, 2024

Billing Name: Phoenix Mesa Gateway Airport
Address: 5835 S Sossaman Rd
City, State, Zip Code: Mesa, AZ. 85212
Attn:

Project Name: Building #45 maintenance
Address: 5803 S Sossaman
City, State, Zip Code: Mesa, AZ. 85212

Grand Total: \$4,731.60

MESC #23L-JBSR-0419
Square Feet : 21,000 SF

Scope of Work

- Dig out existing caulking at top of wall reglet and clean the joint
- Install new caulking at the top of the wall reglet
- Provide and install new composite stands for the mini split system on the roof
- Exclusions: Night Time Working Hours, Building Permit, NESHAP Report, Asbestos Abatement, Structural Report and Davis Bacon Prevailing Wages

Chester Goldmeier

Date: September 12, 2024

Billing Name: Phoenix Mesa Gateway Airport
Address: 5835 S Sossaman Rd
City, State, Zip Code: Mesa, AZ. 85212
Attn:

Project Name: Building #1080
Address: 6263 S Taxiway Circle
City, State, Zip Code: Mesa, AZ. 85212

Grand Total: \$3,570.00

MESC #23L-JBSR-0419

Square Feet : 1,000 SF

Scope of Work

- At upper roof section northwest side we will clean the last 4 seams and roll apply an acrylic coatings over just the seams with 2 passes at 1.5 gallons each pass.
- **Exclusions: Night Time Working Hours, Building Permit, NESHAP Report, Asbestos Abatement, Structural Report and Davis Bacon Prevailing Wages**

Chester Goldmeer

Date: September 13, 2024

Billing Name: Phoenix Mesa Gateway Airport
Address: 5835 S Sossaman Rd
City, State, Zip Code: Mesa, AZ. 85212
Attn:

Project Name: 6262 S Taxiway Circle Lower roof Replacement
Address: 6262 S Taxiway Circle
City, State, Zip Code: Mesa, AZ. 85212

Grand Total: \$18,641.27

MESC #23L-JBSR-0419

Scope of Work

- Remove existing built up roofing down to deck and dispose of it (owner must have roofing tested for asbestos and provide the report prior to work starting) this price is based on the materials having no asbestos found. If asbestos is found owner must have roof abated by a certified company at an additional charge.
- Un-bolt the metal wall at the lower edge to allow movement so we can install flashing behind wall panel
- Install a ½" primed gypsum coverboard board on the deck using mechanical fasteners and insulation plates
- Install new edge metal at perimeter of roof decks
- Install a 2 ply sbs self-adhered built up roof system over the gypsum coverboard
- Use liquid flashing at irregular pipes
- Re-secure metal wall panel
- **Exclusions: Night Time Working Hours, Building Permit, NESHAP Report, Asbestos Abatement, Structural Report and Davis Bacon Prevailing Wages**
- Jim Brown and Sons Roofing Co. will provide a Labor Only Warranty for a period of 2 years from the date of completion
- Provide manufactures 10 year NDL warranty when complete and inspected by manufacture

Chester Goldmeier

Date: September 13, 2024

Billing Name: Phoenix Mesa Gateway Airport
Address: 5835 S Sossaman Rd
City, State, Zip Code: Mesa, AZ. 85212
Attn:

Project Name: Allegiant Air Hanger S.W. side section restoration
Address: 6250 S Taxiway Circle
City, State, Zip Code: Mesa, AZ. 85212

Grand Total: \$15,680.00

MESC #23L-JBSR-0419
Square Feet : 8,400 SF

Scope of Work

- Wash roof clean with bio degradable detergent and high-pressure water and let dry
- Strip in the drip edge using a 3 course method
- Make repairs to the TPO roof using the 3 course method products include acrylic coatings and or brush grade caulking and polyester web
- Spray (if possible) and back roll a base coat of acrylic coatings at the rate of 1.5 gallons for every 100 square feet and allow to cure
- Spray (if possible) a final coat of acrylic coatings at the rate of 1.5 gallons for every 100 square feet and broadcast a ceramic granule into the wet coatings around the HVAC units and at the ladder (due to no walls) and let cure
- Provide manufactures 10-year warranty when complete and paid in full
- Jim Brown and Sons Roofing Co. will provide a Labor Only Warranty for a period of 2 years from the date of completion

- Exclusions: Night Time Working Hours, Building Permit, NESHAP Report, Asbestos Abatement, Structural Report and Davis Bacon Prevailing Wages

Chester Goldmeier



ROC 061127, 082024, 198099, 287012

Industrial Commercial Residential Maintenance

MESC #23L-JBSR-0419

JOB NAME: Phoenix - Mesa Gateway Airport Allegiant Air Hanger Southwest Side roof restoration

ADDRESS, CITY, STATE, ZIP: 6250 S Taxiway Circle Mesa, AZ

ITEM #	DESCRIPTION	UNIT	QUANTITY	COST	TOTAL	LOCATION
1.88n	Add acrylic coatings 2 coats	SF	7000	\$2.24	\$15,680.00	
TOTAL					\$15,680.00	

<u>DATE</u>	<u>SQUARE FEET</u>	<u>QUOTE VALID</u>
September 13, 2024	8,400	30 DAYS

Date: September 12, 2024

Billing Name: Phoenix Mesa Gateway Airport
Address: 5835 S Sossaman Rd
City, State, Zip Code: Mesa, AZ. 85212
Attn:

Project Name: Hanger 31
Address: 6229 S Sossaman
City, State, Zip Code: Mesa, AZ. 85212

Grand Total: \$1,520.00

MESC #23L-JBSR-0419

Square Feet : NA

Scope of Work

- Remove the wind damaged shingles and install new shingles to match as closely as possible
- Exclusions: Night Time Working Hours, Building Permit, NESHAP Report, Asbestos Abatement, Structural Report and Davis Bacon Prevailing Wages

Chester Goldmeer



ROC 061127, 082024, 198099, 287012

Industrial Commercial Residential Maintenance

MESC #18R-JBSR1-0418

JOB NAME: Phoenix - Mesa Gateway Airport 6262 S Taxiway Circle metal roof repairs

ADDRESS, CITY, STATE, ZIP: 6262 S Taxiway Circle Mesa, AZ

ITEM #	DESCRIPTION	UNIT	QUANTITY	COST	TOTAL	LOCATION
1.34f	remove built up roof non asbestos	sf	500	\$1.23	\$615.00	
1.96b	remove metal edge	lf	80	\$0.28	\$22.40	
1.24f	1/2" x 4' x 8' primed gypsum board mechanically attached	sf	500	\$0.90	\$450.00	
1.94a	24 ga counterflashing	lf	80	\$5.08	\$406.40	
1.39b	sbs base sheet adhered, sbs cap sheet adhered	sf	500	\$3.95	\$1,975.00	
1.60b	built up repairs with elastomeric mastic and mesh	sf	120	\$4.55	\$546.00	
1.116c	remove flashing metal wall pannel bottom edge	lf	120	\$2.50	\$300.00	
1.121ss	fork lift rental	ea	1	\$550.00	\$550.00	
1.121g	10 year manufature warranty less than 10,000 SF	ea	1	\$800.00	\$800.00	
1.121s	labor rate for roofer	hr	111	\$95.00	\$10,545.00	
				sub total	\$16,209.80	
1.121t	fall rstriction surcharge (no walls)	ea	1	15%	\$2,431.47	
	TOTAL				\$18,641.27	

<u>DATE</u>	<u>SQUARE FEET</u>	<u>QUOTE VALID</u>
September 13, 2024	500	30 DAYS

Date: September 13, 2024

Billing Name: Phoenix Mesa Gateway Airport
Address: 5835 S Sossaman Rd
City, State, Zip Code: Mesa, AZ. 85212
Attn:

Project Name: Sun Valley Supply West Deck Replacement
Address: 6410 S Sossaman Rd
City, State, Zip Code: Mesa, AZ. 85212

Grand Total: \$18,610.00

MESC #18R-JBSR1-0418

Square Feet: 1,500

Scope of Work
West deck only

- Remove the failed roofing down to deck and dispose of it. (owner must get roof tested for asbestos prior to work starting and if roof is found to contain asbestos there will be additional charges)
- Inspect decking for bad and replace as needed (extra cost for unforeseen items)
- Install a cover board over decking using screws and plates
- Spray a average of 1" polyurethane foam over cover board terminating at new metal foam stop
- Spray a base coat of acrylic coatings at the rate of 1.5 gallons for every 100 square feet and let cure
- Spray a intermediate coat of acrylic coatings at the rate of 1.5 gallons for every 100 square feet and immediately broadcast a granule into the wet coatings at the rate of 20 lbs per 100 square feet and let cure
- Sweep up loose granules then spray a final coat of acrylic coatings at the rate of 1.5 gallons for every 100 square feet and let cure
- **Exclusions: Night Time Working Hours, Building Permit, NESHAP Report, Asbestos Abatement, Structural Report and Davis Bacon Prevailing Wages**
- Jim Brown and Sons Roofing Co. will provide a Labor Only Warranty for a period of 2 years from the date of completion and manufactures labor and material warranty for 10 years



Phoenix-Mesa Gateway Airport Authority
5835 S Sossaman Road
Mesa, Arizona 85212-6014
www.gatewayairport.com

Board Action Item

Re: Resolution 24-56

To: Board of Directors
From: Lori Collins, Business Development Director
Through: J. Brian O'Neill, A.A.E., Executive Director/CEO
Subject: Top Aces Corp. – Facility Lease Agreement
Date: October 15, 2024

Proposed Motion

To authorize the Executive Director/CEO and/or delegate to negotiate, and for the Executive Director/CEO to execute a Facility Lease with Top Aces Corp. for the property located at 6229 South Sossaman Road, Mesa, AZ 85212 with an Effective Date of November 1, 2024. The Term for this agreement is two (2) years, terminating on October 31, 2026, with three (3), one-year (1) options to renew; with an Initial Term Lease Rate of \$332,835 annually.

Narrative

Top Aces Corp. will lease the facility located at 6229 South Sossaman Road, Mesa, AZ 85212 and be permitted to use the Airport for the operation of an Aeronautical storage, maintenance, repair, and overhaul facility for Top Aces Corp. owned aircraft and related administrative/office purposes.

Agreement Term and Rate

The initial term of this Facility Lease Agreement is two (2) years, with three (3), one-year (1) options to renew.

The initial term lease rate is \$332,835 annually or \$27,736.25 per month, (for approximately 22,189 square feet at \$15.00 per square foot, plus applicable taxes).

The initial term lease rate will increase by two and three-quarters percent (2.75%) on every one-year (1) anniversary of the Effective Date.

Attachment(s):

Facility Lease Agreement



RESOLUTION NO. 24-56

WHEREAS, the Phoenix-Mesa Gateway Airport Authority (“Authority”), a joint powers airport authority formed pursuant to Arizona Revised Statute §28-8521 *et seq.* owns and operates the Phoenix-Mesa Gateway Airport (“Airport”); and

WHEREAS the Authority desires to authorize the Executive Director/CEO and/or delegate to negotiate, and for the Executive Director/CEO to execute a Facility Lease with Top Aces Corp. for the property located at 6229 South Sossaman Road, Mesa, AZ 85212 with an Effective Date of November 1, 2024. The Term for this agreement is two (2) years, terminating on October 31, 2026, with three (3), one-year (1) options to renew; with an Initial Term Lease Rate of \$332,835 annually;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Authority as follows:

The Board of Directors of the Authority hereby authorizes the Executive Director/CEO and/or delegate to negotiate, and for the Executive Director/CEO to execute a Facility Lease with Top Aces Corp. for the property located at 6229 South Sossaman Road, Mesa, AZ 85212 with an Effective Date of November 1, 2024. The Term for this agreement is two (2) years, terminating on October 31, 2026, with three (3), one-year (1) options to renew; with an Initial Term Lease Rate of \$332,835 annually. This resolution also authorizes the Chair or Executive Director/CEO to make such additions, deletions, and changes as may be approved by the Chair or Executive Director/CEO, necessary to carry out the purposes and intent of this Resolution.

Passed and adopted by the Authority this 15th day of October, 2024.

Julia Wheatley, Chair

ATTEST:

APPROVED AS TO FORM:

Misty Johnson, Clerk of the Board

Jill Casson Owen, Attorney



Phoenix-Mesa Gateway Airport Authority
5835 S Sossaman Road
Mesa, Arizona 85212-6014
www.gatewayairport.com

Board Action Item

Re: Resolution 24-57

To: Board of Directors
From: Lori Collins, Business Development Director
Through: J. Brian O'Neill, A.A.E., Executive Director/CEO
Subject: Mesa SkyBridge, LLC – Fifth Amendment to Master Development Agreement and Adjustment Amendment to Master Lease Agreement
Date: October 15, 2024

Proposed Motion

To authorize the Fifth Amendment to the Master Development Agreement with Mesa SkyBridge, LLC to modify infrastructure and development phasing and to authorize an Amendment to the Master Lease with Mesa SkyBridge, LLC to establish a flat percentage annual increase in base rent instead of triennial CPI adjustments and updated the Development Lease template.

Narrative

The Phoenix-Mesa Gateway Airport Authority (“PMGAA”) and Mesa SkyBridge, LLC (“SkyBridge”) entered into a Master Lease Agreement on April 1, 2018 for approximately 360-acres located at the southeast corner of Sossaman Road and Velocity Way (“Property”). To date, SkyBridge has constructed Phase 1 utilities and roadway infrastructure including portions of Skybridge Boulevard, International Way and Peak Air Circle and delivered four (4) buildings, totaling more than 630,000 square feet.

The Fifth Amendment to the Master Development Agreement (MDA) modifies required infrastructure and development deadlines and strengthens PMGAA’s position with regard to future development deadlines and requirements. Due to rising construction costs and market conditions to finance specialized infrastructure, SkyBridge asked to extend the deadline for delivering Taxilane Sierra to 2030 and instead focus on developing the aeronautical parcels along Taxiway Alpha. SkyBridge adjusted the phasing of its Master Plan and will begin constructing the infrastructure to those sites in early 2025. If Taxilane Sierra is not delivered by the new 2030 deadline, SkyBridge will relinquish all undeveloped lots on Taxiway Alpha back to PMGAA. The order of subsequent parcels to be relinquished was also renegotiated to further incentivize timely completion of development requirements.

Additional items included in the amendment are the removal of the Cargo Inspection Program obligation, updated references to taxilanes and street names and other administrative corrections.

The Adjustment Amendment to the Master Lease Agreement (MLA) replaces the triennial Consumer Price Index (CPI) adjustment with an annual 2.5% increase in rent for the Master Lease and Development Leases. In addition, the Development Lease template attached as an exhibit to the Master Lease Agreement is being updated with current PMGAA and FAA-required language.

*Page 2 of 2: BAI - Mesa SkyBridge, LLC – Fifth Amendment to Master Development Agreement and
Adjustment Amendment to Master Lease Agreement
Attachment(s)*

Fifth Amendment to Master Development Agreement
Master Lease Adjustment Amendment



RESOLUTION NO. 24-57

WHEREAS, the Phoenix-Mesa Gateway Airport Authority (“Authority”), a joint powers airport authority formed pursuant to Arizona Revised Statute §28-8521 *et seq.* owns and operates the Phoenix-Mesa Gateway Airport (“Airport”); and

WHEREAS the Authority desires to authorize the Fifth Amendment to the Master Development Agreement with Mesa SkyBridge, LLC to modify infrastructure and development phasing and to authorize an Amendment to the Master Lease with Mesa SkyBridge, LLC to establish a flat percentage annual increase in base rent instead of triennial CPI adjustments and updated the Development Lease template;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Authority as follows:

The Board of Directors of the Authority hereby authorizes the Fifth Amendment to the Master Development Agreement with Mesa SkyBridge, LLC to modify infrastructure and development phasing and to authorize an Amendment to the Master Lease with Mesa SkyBridge, LLC to establish a flat percentage annual increase in base rent instead of triennial CPI adjustments and updated the Development Lease template. This resolution also authorizes the Chair or Executive Director/CEO to make such additions, deletions, and changes as may be approved by the Chair or Executive Director/CEO, necessary to carry out the purposes and intent of this Resolution.

Passed and adopted by the Authority this 15th day of October, 2024.

Julia Wheatley, Chair

ATTEST:

APPROVED AS TO FORM:

Misty Johnson, Clerk of the Board

Jill Casson Owen, Attorney

Phoenix-Mesa Gateway Airport Authority
Fifth Amendment to Master Development Agreement

This FIFTH AMENDMENT TO MASTER DEVELOPMENT AGREEMENT (“**Amendment 5**”) is executed to be effective as of the ___ (___) day of _____, 2024, by and between the **PHOENIX-MESA GATEWAY AIRPORT AUTHORITY**, authorized under the laws of the State of Arizona, its successors and assigns (“**Authority**”), and **MESA SKYBRIDGE, LLC**, an Arizona limited liability company (“**Developer**”). This Amendment 5 hereby amends that certain Master Development Agreement between Authority and Developer dated and effective on November 21, 2017, as amended by those certain (i) First Amendment to Master Development Agreement dated June 1, 2018, (ii) Second Amendment to Master Development Agreement dated July 1, 2019, (iii) Third Amendment to Master Development Agreement dated October 15, 2019, and (iv) Fourth Amendment to Master Development Agreement dated March 18, 2020 (collectively, as amended, “**MDA**”) with respect to that certain real property at the Airport located at the Southeast Corner of Sossaman Road and Velocity way and described as the Gateway Aerospace Park, which property is more particularly described and defined in the MDA as the “Park Property.” Authority and Developer may be referred to jointly as “**Parties**,” and each separately may be referred to as a “**Party**.”

RECITALS

A. Authority is the present owner and operator of the Phoenix-Mesa Gateway Airport generally located at the intersection of Ray Road and South Sossaman Road, City of Mesa, Maricopa County, Arizona (“**Airport**”); and

B. Authority and Developer desire to enter into this Amendment 5 in order to modify the MDA as provided herein.

AMENDMENT

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained in this Amendment 5 and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. **Cargo Inspection Program**. The Parties agree to eliminate the “Cargo Inspection Program” as a component of the MDA. All references to “Cargo Inspection Program” in the MDA are hereby deleted. Sections 2(a)(i)(A), 6(c)(x), 6(h), 7(h), and Item No. (1) of the Minimum Development Requirements are hereby deleted in their entirety, and the Developer shall have no obligation to establish the Cargo Inspection Program as part of the Project.

2. **Taxiway Lima**. The definition of “Taxiway Lima” and all references to “Taxiway Lima” in the MDA are hereby replaced with “Taxilane Sierra.”

3. **Vapor Trail**. The definition of “Vapor Trail” and all references to “Vapor Trail” in the MDA are hereby replaced with “Peak Air Circle.”

4. **Minimum Development Requirements and Minimum Development Deadlines.**

A. **Exhibit E** is deleted in its entirety and replaced with **Exhibit E** attached hereto. All defined terms in the MDA with reference to **Exhibit E** shall be deemed to reference **Exhibit E** attached hereto.

B. The following definition is added to SECTION 1, Recital Incorporation and Definitions:

“Minimum Development Deadline #1A” shall have the meaning set forth on Exhibit E hereof.

5. **Extension of Minimum Development Deadlines.** SECTION 9 Minimum Development Requirements, subsection (a), “Extension of Minimum Development Deadlines” shall not apply to Minimum Development Deadline #1A.

6. **Exclusion of Property Option.** SECTION 9 Minimum Development Requirements, subsection (b)(i), “Exclusion of Property Option” is hereby modified as follows:

A. The phrase “Minimum Development Deadline #1A,” is inserted immediately following the phrase “Minimum Development Deadline #1,” at the end of the second line and in the fifth to last full line of text.

B. The following new second paragraph is inserted:

In the event Developer fails to satisfy Minimum Development Requirement No. 5 prior to Minimum Development Deadline #1A, then Developer shall relinquish Lots 110, 120, 124, 125, and 126 (collectively, “Alpha Property”) not previously Takedown without regard to the one third (1/3) of the Park Property limitation in the preceding paragraph. In addition, if the one third (1/3) of the Park Property requirement has not yet been met with the Alpha Property relinquishment, the Authority will identify any additional Relinquished Property on the Exclusion List to be relinquished in accordance with the preceding paragraph.

7. **Exclusion List.** Attached hereto as **Schedule A** is the updated Exclusion List per SECTION 9 Minimum Development Requirements, subsection (b)(i), “Exclusion of Property Option”.

8. **Notices.** SECTION 16, Miscellaneous, subsection (b) Notices is hereby deleted in its entirety and replaced with the following:

(b) Notices. Except as expressly set forth herein, normal notices, demands and communications between the Parties will be sufficiently given if, and will not be deemed given unless, delivered personally, dispatched by certified mail, postage prepaid, return receipt requested, or sent by nationally recognized express delivery or overnight courier service, to the office of the Parties shown as follows, or such other address as the Parties may designate in writing from time to time:

To the Authority:

Phoenix-Mesa Gateway Airport Authority
5835 S. Sossaman Road
Mesa, Arizona 85212
Attention: Director, Business and Economic Development
Email: lcollins@gatewayairport.com

With a copy to (which shall not constitute notice):

Snell and Wilmer L.L.P.
One South Church Avenue
Suite 1500
Tucson, Arizona 85701
Attention: Jill Casson Owen
Email: jowen@swlaw.com

To the Developer:

Mesa SkyBridge LLC
2415 E. Camelback Road, Suite 700
Phoenix, Arizona 85016
Attention: Will Moseley, General Manager
Felipe Monroy Torres
Email: will.moseley@skybridgedevelopments.com
fmonroy@skybridgedevelopments.com

To the Guarantor:

GRUPO SEGURITECH PRIVADA SA DE CV
Bosque Alisos 45-B, Piso 3
Col Bosque de las Lomas
Cuajimalpa de Morelos
CDMX 05120 México
Attention: Felipe Monroy Torres
Email: fmonroy@seguritech.com

With a copy to (which shall not constitute notice):

Greenberg Traurig, LLP
2375 E. Camelback Road, Suite 800
Phoenix, Arizona 85016
Attention: Quinn P. Williams and Kevin Morris
Email: williamsq@gtlaw.com and morriskj@gtlaw.com

9. **Guaranty Financial Reports.** SECTION 17 Guaranty, subsection (f) is hereby amended by adding the following new paragraph to the end of this Section:

To demonstrate satisfaction of the requirements of this Section, Guarantor will delivery to Authority the following:

- (x) Audited annual financial statements consisting of, at a minimum, a balance sheet, income statement, statement of cash flow, and statement of changes in equity, to be delivered within one hundred twenty (120) days of the end of the applicable fiscal year; and
- (y) Quarterly updates to the financial statements consisting of, at a minimum a balance sheet, income statement, statement of cash flow, and statement of changes in equity, to be delivered within forty-five (45) days after the end of the applicable financial quarter.

10. **Master Plan.** The Parties agree to work together to make corresponding updates to the Master Plan as needed to be consistent with the terms of this Amendment 5 promptly after the execution and effectiveness of this Amendment 5.

11. **Representations.** Developer warrants and represents to Authority that: (a) all necessary actions have been taken to authorize the execution of this Amendment 5 by Developer; (b) the persons who have executed this Amendment 5 on behalf of Developer are duly authorized to do so; and (c) this Amendment 5 constitutes a legal, valid and binding obligation of Developer, enforceable against Developer in accordance with its terms and the terms of the MDA.

12. **Effect of Amendment 5.** In all other respects, and except as modified herein, the MDA shall remain unchanged and in full force and effect. The MDA, as amended by this Amendment 5 shall continue to be binding upon the Authority and Developer and their permitted successors and assigns.

13. **Incorporation of Recitals.** The recitals set forth above are incorporated into this Amendment 5 by this reference.

14. **Defined Terms.** All of the capitalized terms not otherwise defined in this Amendment 5 shall have the meaning ascribed to them in the MDA.

[Remainder of Page Left Intentionally Blank; Signature Page Follows]

IN WITNESS WHEREOF, the Parties have entered into this Amendment 5 as of the date first set forth above.

AUTHORITY:

PHOENIX-MESA GATEWAY AIRPORT AUTHORITY, an Arizona joint powers airport authority

By: _____

Name: J. Brian O'Neill, A.A.E.

Title: Executive Director/CEO

DEVELOPER:

MESA SKYBRIDGE, LLC, an Arizona limited liability corporation.

By: _____

Name: _____

Title: _____

GUARANTOR:

Solely with respect to Section 9 hereof:

GRUPO SEGURITECH PRIVADA SA DE CV

By: _____

Name: _____

Title: _____

EXHIBIT E

Minimum Development Requirements

Minimum Development Deadline	Item No.	Minimum Development Requirements	Status as of Amendment 5 Effective Date
On or before the seventh (7 th) anniversary of the Closing Date (“ <u>Minimum Development Deadline #1</u> ”)	(1)	The Cargo Inspection Program is operational at the Airport.	Not Applicable – Minimum Development Requirement #1 is deleted
	(2)	The Developer has completed construction of Peak Air Circle and the same has been accepted by the applicable Government Authorities.	Completed
	(3)	The Developer has completed construction and/or reconstruction of Drainage Retention Basins.	Completed
	(4)	The Developer, in coordination with the Authority, has completed the necessary environmental clearances for the Horizontal Improvements to be constructed pursuant to the Master Plan to the satisfaction of the FAA.	Completed
On or before September 1, 2030 (“ <u>Minimum Development Deadline #1A</u> ”)	(5)	The Developer has completed construction of Taxilane Sierra and it has been accepted by the Authority.	Incomplete
On or before the fifteenth (15 th) anniversary of the Closing Date (“ <u>Minimum Development Deadline #2</u> ”)	(6)	The Developer and/or Vertical Developer(s) have received certificates of occupancy for at least 400,000 SF of Office Space and/or Warehouse Facilities on non-aeronautical Development Parcels.	556,000 SF constructed; certificate of occupancy not yet issued on part
	(7)	The Developer and/or Vertical Developer(s) have received certificates of occupancy for at least 100,000 SF of Office Space, Warehouse Facilities and/or hangar buildings on aeronautical Development Parcels.	82,000 SF complete.

EXHIBIT E

Minimum Development Requirements

On or before the twentieth (20 th) anniversary of the Closing Date (“ <u>Minimum Development Deadline #3</u> ”)	(8)	Office Space and/or Warehouse Facilities for at least 800,000 SF of Office Space and/or Warehouse Facilities on non-aeronautical Development Parcels.	Incomplete
	(9)	The Developer, its Affiliate, or a Vertical Developer has received a certificate of occupancy for at least 200,000 SF of Office Space, Warehouse Facilities and/or hangar buildings on aeronautical Development Parcels.	Incomplete
	(10)	The Developer or its Affiliates shall complete all Horizontal Improvements, pursuant to the Master Plan.	Incomplete
On or before the thirty-fifth (35 th) anniversary of the Closing Date (“ <u>Minimum Development Deadline #4</u> ”)	(11)	The Developer, its Affiliate, or a Vertical Developer has received a certificate of occupancy for at least 1,200,000 SF of Office Space and/or Warehouse Facilities on non-aeronautical Development Parcels.	Incomplete
	(12)	The Developer, its Affiliate, or a Vertical Developer has received a certificate of occupancy for at least 400,000 SF of Office Space, Warehouse Facilities and/or hangar buildings on aeronautical Development Parcels.	Incomplete

SCHEDULE A

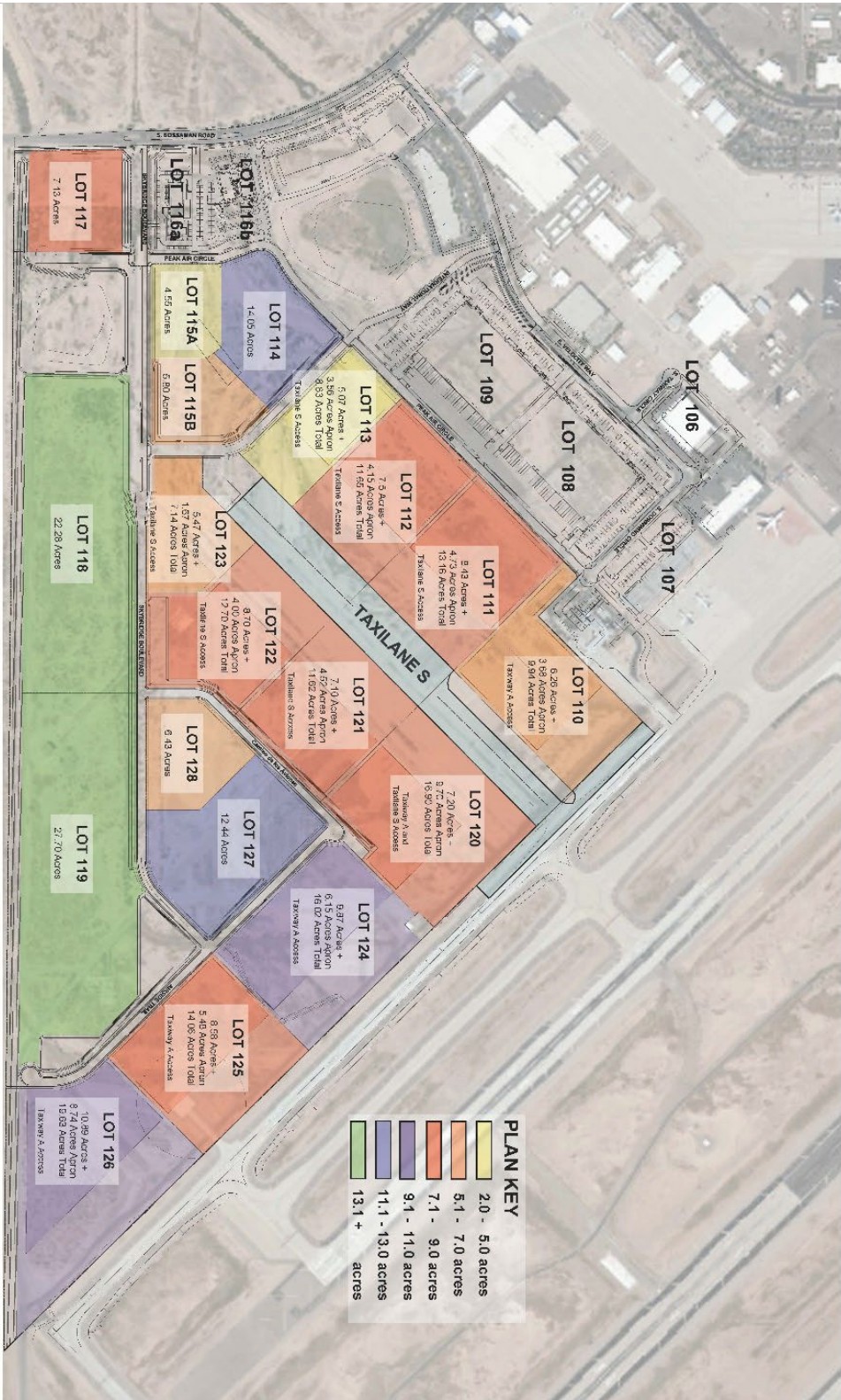
Exclusion List*

<u>Order of Takedown</u>	<u>Parcel #</u>	<u>Acreage</u>	<u>Classification</u>
1	110	9.94	Aero
2	120	16.9	Aero
3	124	16.02	Aero
4	125	14.06	Aero
5	126	19.63	Aero
6	114	14.05	Non Aero
7	115	10.35	Non Aero
8	116A	4.086	Non Aero
9	116B	4.15	Non-Aero
10	111	8.43	Aero
11	112	11.65	Aero
12	117	7.13	Non Aero
13	128	6.43	Non Aero
14	127	12.44	Non Aero
15	113	8.63	Aero
16	121	11.62	Aero
17	122	12.7	Aero
18	123	7.14	Aero
19	118	22.28	Non Aero
20	119	27.7	Non Aero
21	106	0	Developed-Non Aero
22	107	0	Developed-Aero
23	108	0	Developed-Non Aero
24	109	0	Developed-Non Aero
		245.336	total remaining undeveloped

**Parcel #'s correspond to the attached map on the following page.*

SCHEDULE A

Exclusion List*



Parcelization Strategy - 2024 Update
Prepared By: ADRI Group Inc. 480 288 3828 - Jeffrey Flemming, AIA
August 1, 2024



AMENDMENT TO MASTER LEASE

(Fixed Base Rent Increases)

THIS ADJUSTMENT AMENDMENT TO MASTER LEASE (“**Amendment**”) is effective as of the ___ day of _____, 2024 by and between **PHOENIX-MESA GATEWAY AIRPORT AUTHORITY**, a joint powers airport authority authorized and existing under the laws of the State of Arizona (“**Lessor**”), and **MESA SKYBRIDGE LLC**, an Arizona limited liability company (“**Lessee**”). Lessor and Lessee may be referred to jointly as “**Parties**,” and each separately may be referred to as a “**Party**.”

RECITALS

A. Lessor and Lessee are parties to that certain Master Lease dated April 1, 2018 (as amended, “**Lease**”) covering certain property commonly known as Gateway Aerospace Park at the Phoenix-Mesa Gateway Airport, which property is more particularly described in the Lease, and referred to in the Lease and in this Amendment as “**Property**.”

B. The Parties desire to modify the Lease to replace CPI Adjustments (as defined therein) in Development Leases and the Lease with a fixed annual increase, as set forth in this Amendment.

NOW, THEREFORE, in exchange for the mutual covenants and promises contained herein and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Lessor and Lessee agree as follows:

1. Recitals. The above recitals are hereby confirmed as true and correct and are reaffirmed herein.
2. Development Lease Rent Adjustments.
 - 2.1. The table in Section 2(d) is hereby deleted and replaced with the following:

Term	Rent (in U.S. Dollars)
Effective Date of Development Lease to end of Year 2 of such Development Lease	\$0.00 / SF
Start of Year 3 of Development Lease to the end of Year 30 of Master Lease	\$0.10 per SF per Year*
	<i>*Annual increases equal to 2.5%</i>
Start of Year 31 of Master Lease	Adjust to Fair Market Value**
	<i>** Annual increases equal to 2.5% for the remainder of the term starting in year 27 and Market Value adjustments every 10-years for the remainder of the term.</i>

2.2. The table in Section 2(e) is hereby deleted and replaced with the following:

Term	Rent (in U.S. Dollars)
Effective Date of Development Lease to end of Year 2 of such Development Lease	\$0.00 / SF
Start of Year 3 of Development Lease	Adjust to Fair Market Value*
	<i>*Annual increases equal to 2.5% for the remainder of the term and Market Value Adjustments every 10-years for the remainder of the term</i>

3. Master Lease Base Rent Adjustments.

3.1. Section 5.1.2 is modified by deleting the words “triennial CPI Adjustment” and inserting “annual Fixed Rate Adjustment” in their place.

3.2. Section 5.1.3 is modified by deleting the words “triennial CPI Adjustment” and inserting “Fixed Rate Adjustment” in their place.

3.3. Section 5.1.4 is modified by deleting the words “triennial CPI Adjustment” and inserting “annual Fixed Rate Adjustment” in their place.

3.4. Section 5.3, Base Rent Increases, of the Lease is hereby deleted in its entirety and the following inserted in its place:

5.3 Annual Base Rent Increases. Commencing on the FOURTH (4th) anniversary of the Effective Date and continuing thereafter on each anniversary of the Effective Date of this Lease, the annual Base Rent paid by Lessee shall be increased by two and one-half percent (2.5%) (“**Fixed Rate Adjustment**”).

4. Form of Development Lease. **Exhibit B** is hereby deleted in its entirety and replaced with **Exhibit B** attached hereto.

5. Miscellaneous.

(a) Capitalized Terms/Definitions. Each capitalized term used in this Amendment and not defined herein shall be deemed to have the same meaning ascribed to it in the Lease.

(b) Continuing Effect. Except as specifically provided in this Amendment, the provisions of the Lease shall remain unchanged and in full force and effect. In the event of a conflict between the Lease and this Amendment, this Amendment shall control.

(c) Authority. Each person executing this Amendment on behalf of a Party represents and warrants that it has the full power, authority, and legal right to execute and deliver this Amendment on behalf of such Party and that this Amendment constitutes the legal, valid and binding obligations of such Party, its heirs, representatives, successors and assigns, enforceable against such Party or Parties in accordance with its terms.

(d) Counterparts. To facilitate execution of this Amendment, this Amendment may be executed in one or more counterparts as may be convenient or required, and an executed copy of this Amendment delivered

electronically by e-mail shall have the effect of an original, executed instrument. All counterparts of this Amendment shall collectively constitute a single instrument; but, in making proof of this Amendment it shall not be necessary to produce or account for more than one such counterpart executed by each Party hereto. It shall not be necessary for the signature of, or on behalf of, each Party hereto, or that the signature of all persons required to bind any such Party appear on each counterpart of this Amendment.

IN WITNESS WHEREOF, the Parties have executed this Amendment as of the day and year first above written.

LESSOR:

**PHOENIX-MESA GATEWAY AIRPORT
AUTHORITY**, an Arizona joint powers airport authority

By: _____

J. Brian O’Neill, A.A.E.
Executive Director/CEO

LESSEE:

MESA SKYBRIDGE LLC, an Arizona limited liability
company

By: _____

Felipe Monroy Torres
CEO

EXHIBIT B

DEVELOPMENT LEASE



Phoenix-Mesa Gateway Airport Authority

DEVELOPMENT LEASE NO.
[an Aeronautical Development Parcel] [or] [a Non-Aeronautical Development Parcel]

with

< **COMPANY** >

Effective Date:

< **Month Day, Year** >

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Phoenix-Mesa Gateway Airport Authority
DEVELOPMENT LEASE

[*an Aeronautical Development Parcel*] [or] [*a Non-Aeronautical Development Parcel*]

This Development Lease (“**Lease**”) is executed to be effective the **<number>** (**<#>**) day of **<month>** **<year>** (“**Effective Date**”) between the **PHOENIX-MESA GATEWAY AIRPORT AUTHORITY**, a joint powers airport authority authorized and existing under the laws of the State of Arizona (“**Lessor**”), and **<TENANT NAME>**, a/an **<State>** **<company type>** (“**Lessee**”). Lessor and Lessee may be referred to jointly as “Parties,” and each separately may be referred to as a “Party.”

RECITALS:

A. Lessor is the owner and operator of the Phoenix-Mesa Gateway Airport generally located at the intersection of Ray Road and Sossaman Road, City of Mesa, Maricopa County, Arizona (“**Airport**”); and

B. Lessor has the right to lease, license and grant the use of property and facilities on the Airport and has full power and authority to enter into this Lease in respect thereof; and

C. Lessor desires to lease to Lessee, and Lessee desires to lease from Lessor, that certain real property at the Airport located at **<address>**, and containing approximately **<square feet>** square feet of land, as set forth in **Exhibit A** attached hereto (“**Premises**”);

D. The Premises is identified in the Development Master Plan and the Airport Layout Plan as **<an Aeronautical Development Parcel>** **<a Non-Aeronautical Development Parcel>**; and

E. Lessor desires to lease the Premises to Lessee on the terms and conditions set forth herein;

NOW THEREFORE, in consideration of the foregoing and of the mutual covenants and agreements herein contained, the Parties do hereby undertake, promise and agree, each for itself and its successors and assigns, as follows:

1. LEASE.

Lessor hereby leases the Premises to Lessee, subject to all easements, deed restrictions and other similar matters of record in the Official Records of Maricopa County, Arizona, that encumber the Premises, and further subject to all operational and use restrictions and other terms and conditions expressly set forth in this Lease.

1.1 Right to Use Premises. Lessor agrees that so long as no Event of Default shall have occurred and is continuing, Lessee shall peaceably have and enjoy the use of the Premises without hindrance from Lessor and those claiming through Lessor. Lessee specially acknowledges that Lessee has inspected the Premises prior to entering into this Lease and agrees to accept the Premises in an “as is, where is” condition without any warranty or representation from Lessor, either express or implied, of any kind or nature whatsoever with respect to the Premises, including, but not limited to, any warranty of merchantability, habitability, or fitness for any particular or specific purpose, and all such warranties are hereby disclaimed, except for representations and warranties contained in this Lease. Should Lessee desire any inspection report, environmental assessment, survey, creation of a legal description, drainage report, or any similar study, Lessee

shall be responsible for the same at Lessee's sole expense, subject to Lessor's duty to cooperate with Lessee (at no or nominal cost to Lessor) in connection with such activities and undertakings.

1.2 Intentionally Omitted.

1.3 Access. Lessee is granted the right of access to and from the Premises via such portions of the Airport as are or may be reasonably necessary to allow Lessee to conduct its business operations permitted herein at and on the Premises and the Airport, provided that Lessor reserves the right to limit access to the Premises in emergencies and in connection with Lessor's construction activities on the Airport, so long as Lessor provides Lessee with reasonable advance written notice of any limitations on Lessee's access to the Premises due to Lessor's construction activities, and Lessor and Lessee coordinate such construction activities and cooperate one with the other to minimize any interference with, or disruption of, Lessee's business activities. Lessor reserves the right to designate the location of such alternative access due to emergencies and Lessor's construction activities, and to change its location from time to time, as Lessor deems reasonably necessary and appropriate; provided such changes do not materially interfere with Lessee's use of or access to the Premises.

1.4 Permitted Uses. Subject to the provisions of Section 1.5, Lessee may use the Premises for <Permitted Use> and for no other use. Lessee shall not use any portion of the Premises for a Prohibited Use, which Prohibited Uses are set forth on **Exhibit E**. Lessee's use of the Premises and operation of its business at and on the Airport and the Premises is subject to all applicable laws, rules and regulations of any governmental authority, including Lessor, and to Lessee's compliance with applicable provisions of the *Airport Rules and Regulations* and *Airport Minimum Standards*.

1.5 Prohibited Activities. Lessee shall not use, or permit its agents, employees or contractors acting for or on behalf of Lessee in connection with their scope of employment to use, the Premises or the Airport for any use that is in violation of the *Airport Rules and Regulations*, the *Airport Minimum Standards*, any matters of record, or applicable laws, or for any other activity or operation not specified in Section 1.4 herein, or that does not have advance, written approval of Lessor's Executive Director or other authorized signatory of Lessor.

Lessor agrees to reasonably consult with Lessee prior to executing or entering into any agreement that could reasonably be expected to have a material effect on the Premises, or on Lessee or its subtenants, or on any Permitted Uses, with the stated purpose of attempting in good faith to avoid any interference with, disruption of, or restriction or limitation on Lessee's intended use and development of the Premises in accordance with this Lease.

1.6 On-Site Manager. Upon commencement of business operations at and on the Premises, Lessee shall designate an on-site manager for the Term of this Lease who shall generally be available to Lessor and Lessee's customers, if any, during Lessee's normal business hours, and otherwise as required by the *Airport Minimum Standards*, as applicable. Lessee may change Lessee's on-site manager from time to time.

1.7 Lessee Acknowledgement. Lessee acknowledges that, except as otherwise provided in this Lease, its obligations to pay Base Rent and all other charges due and owing under the terms hereof shall be absolute and unconditional, and shall not be affected by any circumstances whatsoever, including, without limitation: (i) any set-off, counterclaim, recoupment, defense or other right which Lessee may have against Lessor or the United States of America or anyone else for any reason whatsoever; (ii) any liens, encumbrances or rights of others with respect to the Premises; (iii) the invalidity or unenforceability or lack of due authorization or other infirmity of this Lease or any lack of right, power or authority of Lessor or Lessee to enter into this Lease; (iv) any insolvency, bankruptcy, reorganization or similar proceedings by or against Lessee, or any other person; or (v) any other cause, whether similar or dissimilar to the foregoing, any future or present law notwithstanding, it being the intention of the Parties hereto that all rent being payable by

Lessee hereunder shall continue to be payable in all events and in the manner and at the times provided herein.

2. TERM.

[Section 2 for a Development Lease of an aeronautical Development Parcel:]

The term of this Lease shall be for a period of FORTY-NINE (49) years, commencing on the Effective Date and terminating on <Date> thereafter (“Term”).

[Alternate Section 2 for a Development Lease of a non-aeronautical Development Parcel without Renewal Term:]

2.1 Initial Term. The term of this Lease shall be for a period of SIXTY (60) years, commencing on the Effective Date and terminating on <Date> thereafter (“Term”).

[Alternate Section 2 for a Development Lease of a non-aeronautical Development Parcel where Lessor and Lessee have agreed to a Renewal Term:]

2.1 Initial Term. The term of this Lease shall be for a period of SIXTY (60) years, commencing on the Effective Date and terminating on <Date> thereafter (“Term”).

2.2 Renewal Term(s). Provided that no Event of Default shall have occurred and is continuing, Lessee shall have the right and option (“**Renewal Option**”) to extend the Term of this Lease for a period of FIFTEEN (15) years (“**Renewal Term**”). If Lessee elects to exercise Lessee’s Renewal Option, Lessee shall notify Lessor in writing of such exercise at least one (1) year prior to the expiration of the initial 60-year Term. At the commencement of the Renewal Term, Base Rent per square foot of the Premises per year shall be an amount equal to fair market base rental rate as determined herein, subject to the annual Fixed Rate Adjustments set forth in Section 4.2 below. Lessor shall determine the fair market base rental rate for the Premises for the commencement of the Renewal Term and shall notify Lessee of Lessor’s determination no later than SIXTY (60) calendar days after Lessor’s receipt of Lessee’s exercise of Lessee’s Renewal Option. If Lessee disputes Lessor’s determination of such fair market base rental rate, Lessee shall deliver written notice of such dispute, together with Lessee’s determination of such fair market base rent rate, to Lessor within SIXTY (60) calendar days of Lessee’s receipt of Lessor’s determination. The Parties shall then attempt in good faith to agree upon such fair market base rental rate. The fair market base rental rate shall take into consideration and reflect the limitations and restrictions on Lessee and on the use and development of the Premises and the location of the Premises relative to other regional, national and international airport facilities in the Metropolitan Phoenix area, and also take into consideration the differences between the Airport and other regional, national and international airport facilities in the Metropolitan Phoenix area. If the Parties fail to agree within FIFTEEN (15) business days, they shall, within TEN (10) calendar days after the expiration of such 15-business day period, mutually appoint an appraiser to determine the fair market base rental rate. Said appraiser shall be a qualified MAI appraiser, licensed in the state of Arizona, with at least FIVE (5) years of recent continuous experience in determining the fair market rental rates for commercial properties similar to the Premises and be a member of the Appraisal Institute or comparable professional organization. If the Parties are unable to agree upon an appraiser within such 10-day period, they shall, within FIVE (5) business days thereafter, jointly apply to the president of the local Board of Realtors for the selection of a qualified appraiser. The president of the Board of Realtors shall be asked to select a qualified appraiser within FIFTEEN (15) business days who has not acted in any capacity for either Party within the prior TEN (10) years. Within SEVEN (7) calendar days of the appointment (either by agreement or selection) of the appraiser, the Parties shall submit to the appraiser their respective determinations of the fair market base rental rate and any/all relevant information. Within TWENTY (20) business days of the selected qualified appraiser’s receipt of the Parties’ respective determinations, the appraiser shall review each Party’s submittal (and such other

information as the appraiser deems necessary) and shall select one Party's determination as representing the most reasonable approximation of such fair market base rental rate, and the appraiser's fees and expenses shall be paid one-half each by each Party. Upon determining the Base Rent for the Premises at the commencement of the Renewal Term, Lessor and Lessee shall promptly enter into an amendment to this Lease to memorialize the Renewal Term and the Base Rent. All other terms of this Lease shall govern during the Renewal Term.

3. NONEXCLUSIVE RIGHTS.

Lessee shall have the exclusive right to lease, use, occupy and develop the Premises in compliance with the terms and conditions of this Lease during the Term. All other rights granted to Lessee under this Lease are nonexclusive. Lessor may, in its sole discretion and at any time, permit third parties to conduct any and all business activities at the Airport (other than on the Premises) that Lessor deems appropriate, provided that such activities do not limit, prevent, materially interfere with, or prevent or disrupt the use and development of the Premises by Lessee.

4. RENT.

[Section 4.1 for Development Leases executed prior to the 30th anniversary of the Effective Date of the Master Lease:]

4.1 Base Rent. Lessee agrees to pay Lessor annual rental ("Base Rent") for the use of the Premises as follows:

4.1.1 Subject to Section 4.4 below, commencing on the Effective Date through the end of the SECOND (2nd) Lease Year, Base Rent shall be \$0.00 per square foot of the Premises per year.

4.1.2 Commencing on the THIRD (3rd) anniversary of the Effective Date through the end of the <insert date corresponding with 30th Anniversary of Effective Date of Master Lease> _____ (___) Lease Year, Base Rent shall be \$0.10 per square foot of the Premises per year, subject to the annual Fixed Adjustment set forth in Section 4.2 below.

4.1.3 Commencing on the <insert date corresponding with 30th Anniversary of Effective Date of Master Lease> _____ (___) anniversary of the Effective Date through the end of the Term, Base Rent per square foot of the Premises per year shall be an amount equal to fair market value as determined in accordance with Section 4.3 below, subject to the annual Fixed Rate Adjustments set forth in Section 4.2 below.

[Alternate Section 4.1 for Development Leases executed on or after the 30th anniversary of the Effective Date of the Master Lease:]

4.1 Base Rent. Lessee agrees to pay Lessor annual rental ("Base Rent") for the use of the Premises as follows:

4.1.1 Subject to Section 4.5 below, commencing on the Effective Date through the end of the SECOND (2nd) Lease Year, Base Rent shall be \$0.00 per square foot of the Premises per year.

4.1.2 Commencing on the THIRD (3rd) anniversary of the Effective Date through the end of the Term, Base Rent per square foot of the Premises per year shall be an amount equal to fair market value as determined in accordance with Section 4.3 below, subject to the annual Fixed Adjustments set forth in Section 4.2 below.

4.2 Base Rent Adjustments. Commencing on the FOURTH (4TH) anniversary of the Effective Date and continuing thereafter on each anniversary of the Effective Date of this Lease, the annual Base Rent paid by Lessee shall be increased by two and one-half percent (2.5%) (“**Fixed Rate Adjustment**”). Lessor agrees to notify Lessee of the adjustment in Base Rent payments.

4.3 Market Adjustments to Base Rent.

[Section 4.3.1 for Development Leases executed prior to the 30th anniversary of the Effective Date of the Master Lease:]

4.3.1 Notwithstanding the Base Rent increases referenced in Section 4.2, On (a) the <insert date corresponding with 30th Anniversary of Effective Date of Master Lease> _____ (___) anniversary of the Effective Date of this Lease, and (b) each subsequent TEN (10) year anniversary of the date set forth in Section 4.1.3, the annual Base Rent shall be adjusted (each, a “**Market Adjustment Date**”) as hereinafter set forth in this Section. On each such Market Adjustment Date, the Base Rent shall be adjusted to the fair market base rental rate of the Premises, in relation to comparable (in quality, size, and value) airport-related facilities.

[Alternative Section 4.3.1 for Development Leases executed one or after the 30th anniversary of the Effective Date of the Master Lease:]

4.3.1 Notwithstanding the Base Rent increases referenced in Section 4.2, On (a) the TENTH (10th) anniversary of the Effective Date of this Lease, and (b) each subsequent TEN (10) year anniversary thereof, the annual Base Rent shall be adjusted (each, a “**Market Adjustment Date**”) as hereinafter set forth in this Section. On each such Market Adjustment Date, the Base Rent shall be adjusted to the fair market base rental rate of the Premises, in relation to comparable (in quality, size, and value) airport-related facilities.

4.3.2 Lessor’s determination of such fair market base rental rate for the Premises shall be delivered to Lessee no later than ONE HUNDRED TWENTY (120) calendar days prior to the Market Adjustment Date. If Lessee disputes Lessor’s determination of such fair market base rental rate, Lessee shall deliver written notice of such dispute, together with Lessee’s determination of such fair market base rental rate, to Lessor within SIXTY (60) calendar days of Lessee’s receipt of Lessor’s determination. The Parties shall then attempt in good faith to agree upon such fair market base rental rate. The fair market base rental rate shall take into consideration and reflect the limitations and restrictions on Lessee and on the use and development of the Premises and the location of the Premises relative to other regional, national and international airport facilities. If the Parties fail to agree within FIFTEEN (15) business days, they shall, within TEN (10) calendar days thereafter, mutually appoint an appraiser to determine the fair market base rental rate. Said appraiser shall be a qualified MAI appraiser, licensed in the state of Arizona, with at least FIVE (5) years of recent continuous experience in determining the fair market rates for commercial properties similar to the Premises and be a member of the Appraisal Institute or comparable professional organization. If the Parties are unable to agree upon an appraiser within such 10-day period, they shall, within FIVE (5) business days thereafter, jointly apply to the president of the local Board of Realtors for the selection of an appraiser. The president of the Board of Realtors shall, within FIFTEEN (15) business days, select an appraiser with the above qualifications who has not acted in any capacity for either Party within the prior FIVE (5) years. Within SEVEN (7) calendar days of the appointment (either by agreement or selection) of the appraiser, the Parties shall submit to the appraiser their respective determinations of the fair market base rental rate and any/all substantiated information. Within TWENTY (20) business days thereafter, the appraiser shall review each Party’s submittal (and such other information as the appraiser deems necessary) and shall select one Party’s submittal as representing the most reasonable approximation of such fair market base rental rate, and the appraiser’s fees and expenses shall be paid one-half each by each Party.

4.4 Vacancy Relief Periods. Provided no Event of Default shall have occurred and is continuing, Lessee shall have the continuing option to exercise up to TWO (2) Vacancy Relief Periods of up to TWELVE (12) months for each Vacancy Relief Period during any period of time that the Improvements on the Premises are at least FIFTY PERCENT (50%) vacant. Lessee may initiate a Vacancy Relief Period by giving written notice (“**Vacancy Relief Notice**”) to Lessor of its desire to do so. Lessee’s use and occupancy of the Premises shall not be taken into consideration in determining whether the Improvements are vacant, unless Lessee is actively conducting Lessee’s business activities for a Permitted Use within such Improvements. An office maintained by Lessee in the Premises for the purpose of marketing and subleasing the Premises shall not be considered as Lessee actively conducting Lessee’s business activities. The Vacancy Relief Notice shall identify the starting date and ending date for the Vacancy Relief Period (not to exceed TWELVE (12) months), and Lessee shall provide, simultaneously with each Vacancy Relief Notice, evidence reasonably satisfactory to Lessor that the Improvements on the Premises are at least FIFTY PERCENT (50%) vacant. During a Vacancy Relief Period, Lessee shall be entitled to pay a reduced Base Rent equal to FIFTY PERCENT (50%) of the Base Rent that would otherwise be applicable during such time. A Vacancy Relief Period shall terminate on the earlier of (a) the expiration of the TWELVE (12)-month period identified in the Vacancy Relief Notice, or (b) the date on which FIFTY-ONE PERCENT (51%) of the occupiable Improvements on the Premises are occupied, evidenced by executed subleases. Upon expiration of the Vacancy Relief Period, Lessee shall resume paying full Base Rent.

Section 4.5 for Development Leases executed prior to the 30th anniversary of the Effective Date of the Master Lease:

4.5 Construction Rent Period. A modified base rent for a construction period during the first TWO (2) Lease years (“**Construction Base Rent Period**”) has been granted to Lessee as additional consideration for entering into this Lease and agreeing to pay the Base Rent and all other charges hereunder, and to perform the terms and provisions otherwise required under this Lease. If an Event of Default by Lessee occurs, which is not cured within the applicable cure period, in addition to all other rights and remedies of Lessor provided by law, equity, statute or otherwise provided in this Lease, at Lessor’s option in its sole and absolute discretion, (i) if the Event of Default occurs within the Construction Base Rent Period, Lessee shall commence paying the full Base Rent at the rate of \$0.10 per square foot per year for the balance of the Construction Base Rent Period, and (ii) if an Event of Default by Lessee occurs during the initial Term, which is not cured within the applicable cure period, Lessee shall immediately pay to Lessor an amount equal to the unamortized portion of Base Rent at the rate of \$0.10 per square foot per year during the Construction Base Rent Period, which Lessor shall amortize over the initial Term on a straight-line basis.

[Alternate Section 4.5 for Development Leases executed on or after the 30th anniversary of the Effective Date of the Master Lease:]

4.5 Construction Rent Period. A modified base rent for a construction period during the first TWO (2) Lease years (“**Construction Base Rent Period**”) has been granted to Lessee as additional consideration for entering into this Lease and agreeing to pay the Base Rent and all other charges hereunder, and to perform the terms and provisions otherwise required under this Lease. If an Event of Default by Lessee occurs, which is not cured within the applicable cure period, in addition to all other rights and remedies of Lessor provided by law, equity, statute or otherwise provided in this Lease, at Lessor’s option in its sole and absolute discretion, (i) if the Event of Default occurs within the Construction Base Rent Period, Lessee shall commence paying the full Base Rent at the at the fair market value established in accordance with Section 4.3 for the balance of the Construction Base Rent Period, and (ii) if an Event of Default by Lessee occurs during the initial Term, which is not cured within the applicable cure period, Lessee shall immediately pay to Lessor an amount equal to the unamortized portion of Base Rent at the fair market value established in accordance with Section 4.3 for the Construction Base Rent Period, which Lessor shall amortize over the initial Term on a straight-line basis.

4.6 Payment.

4.6.1 Base Rent shall be payable in equal monthly installments, in advance, without any prior demand therefor and without any abatement, deductions or set-offs whatsoever, and tendered in lawful currency of the United States, either by check or electronic transfer. Base Rent and any other charges due for any period during the Term less than ONE (1) calendar month shall be prorated on a daily basis based on a THREE HUNDRED SIXTY-FIVE (365) day year.

4.6.2 No payment to or receipt by Lessor of a lesser amount than that which is due and payable under the provisions of this Lease at the time of such payment shall be deemed to be other than a payment on account of the earliest payment due, nor shall any endorsement or statement on any check or payment prejudice in any way Lessor's right to recover the balance of such payment or pursue any other remedy provided in this Lease or by law.

4.6.3 All payments (and reports, if any) required by this Section 4.6 shall be remitted to the following address by the due date(s) specified hereinabove:

Phoenix-Mesa Gateway Airport Authority
Attn.: Department of Finance (Accounts Receivable)
5835 S. Sossaman Road
Mesa, Arizona 85212-6014

or such other address specified in advance in writing by Lessor to Lessee.

4.7 Finance Charges and Late Fees. If Lessee fails to pay any installment of Base Rent or any other charge due and owing to Lessor in full on or before the applicable due date, Lessee shall be responsible for interest on the unpaid installment at the rate of EIGHTEEN PERCENT (18%) per annum from the due date until payment in full is made. In addition, in the event any installment of Base Rent or other charge owing to Lessor is paid more than TEN (10) days after the due date, a late penalty of TEN PERCENT (10%) of the amount of such delinquent Base Rent installment or other charge shall be due and payable in addition thereto.

4.8 Taxes. In the event any governmental authority shall impose a tax or imposition based upon any Base Rent payments or any other sums paid or owing hereunder, or the receipt of such payments by Lessor, Lessee shall pay such amounts to Lessor at the same time and in addition to payments hereunder, which amounts may include, but are not limited to, any or all rental, transaction privilege, sales, excise or other similar tax except income taxes.

4.9 Survival. Lessee's obligation to pay all amounts stated herein, together with any interest thereon and/or penalties therefor, shall survive the termination of this Lease.

4.10 Airport Rates and Charges Schedule. Lessee or its subtenants, as applicable and including its contractors, agents, etc., shall pay all fees identified in the most current *Airport Rates and Charges Schedule* at the time of receipt of any covered service or use of any covered facilities, unless specifically outlined in this Lease. The current *Airport Rates and Charges Schedule* is included as **Exhibit B** and is subject to change upon prior notice to Lessee. Lessee acknowledges and agrees that Lessor may amend the *Airport Rates and Charges Schedule* at any time at Lessor's sole discretion, and that no fee shall apply to the use or occupancy of the Premises or access to and from the Premises.

5. PERFORMANCE GUARANTEE.

5.1 Security Deposit.

5.1.1 On or before the Effective Date, Lessee shall pay to Lessor an amount equal to TWO (2) months' worth of Base Rent payments as of the Effective Date of this Lease, as a security deposit ("Security Deposit") to insure the faithful performance of all of Lessee's obligations hereunder.

5.1.2 The Security Deposit, upon the occurrence of an Event of Default, at the election of Lessor, may be applied to any actual loss and/or actual damage sustained by Lessor by reason of the occurrence of such Event of Default by Lessee under this Lease without the waiver of any other right or remedy available to Lessor at law, in equity or under the terms of this Lease. If any portion of the Security Deposit is so used or applied, Lessee shall, within FIVE (5) business days after written notice from Lessor, deposit with Lessor immediately available funds in an amount sufficient to restore the Security Deposit to its original amount. In the event of a sale or other transfer of the Premises by Lessor, Lessor shall transfer the remaining balance (if any) of the Security Deposit to Lessor's successor in interest, whereupon the transferor Lessor shall be released from liability to Lessee for the return of such Security Deposit. Unless this Lease is terminated as a result of Lessee's default whereupon Lessee shall immediately forfeit its Security Deposit to Lessor, upon termination or expiration, Lessor shall return to Lessee all portions of the Security Deposit which were not otherwise applied by Lessor as permitted above. Lessor shall have no obligation to maintain a separate account for such security deposit and shall have no obligation to pay interest thereon.

[If Lessee or a proposed Lease guarantor can demonstrate to Lessor's reasonable satisfaction (with audited financial statements) financial strength of a net worth of not less than three (3) times the projected development costs, Section 5.2 will be waived by Lessor. Lessor, in its sole discretion, will consider other waivers on a case by case basis.]

5.2 Improvement Construction Guarantee.

5.2.1 Payment Guarantee. Notwithstanding and in addition to the Security Deposit, Lessee shall protect claimants supplying labor and materials in connection with the construction, by providing, at Lessee's sole cost and expense and prior to commencement of construction of said improvements, one of the following instruments, chosen at Lessee's discretion:

(a) Payment Bond. Lessee shall require the contractor to provide a labor and materials payment bond in the full contract amount to protect claimants supplying labor and materials in connection with the construction. The bond shall comply in all respects with the requirements of A.R.S. § 33-1003 as it may be amended or renumbered from time to time. The parties agree that Lessee is not a public body, and the improvements to be constructed under this Lease by Lessee at Lessee's sole cost are not public buildings, public works or public improvements. The bond shall be issued by a surety company reasonably acceptable to Lessor and duly licensed for such undertaking in the state of Arizona and shall be accompanied by a power of attorney disclosing the authority of the person executing it on behalf of the surety. The bond and a copy of the contract shall be recorded in the office of the Maricopa County Recorder as required under A.R.S. § 33-1003, and a copy of the bond shall be provided to Lessor; or

(b) Letter of Credit. Such instrument ("Letter of Credit") shall be irrevocable, in an amount equal to the total amount of the construction contract(s) for the construction of the improvements (described in Section 7 herein) plus TEN PERCENT (10%) of such amount ("Improvement Costs") and be issued to Lessee by a financial institution ("Bank") reasonably acceptable to Lessor. The Letter of Credit shall have a term extending from the date of commencement of construction until the date which is TWENTY-FOUR (24) months thereafter, after which date it shall be renewed on a year-to-year basis until construction of such improvements are completed, and final and unconditional lien waivers have been obtained from all contractors supplying labor and materials in connection with the construction. Should Lessee utilize the Letter of Credit option hereunder, and should Lessee fail to pay any sum owing to contractors supplying labor and materials in connection with the construction then, in addition to any other remedies set forth in this Lease, Lessor shall be entitled to apply to the Bank, following a period of THIRTY

(30) calendar days prior written notice to Lessee (which notice shall include a reasonably-detailed description of Lessee's failure to pay any sum owing), for release to Lessor (in accordance with the terms of the Letter of Credit) from the Letter of Credit of a dollar amount sufficient to pay amounts owing to contractors supplying labor and materials in connection with the construction and obtain final, unconditional lien waivers in connection therewith. Lessor's application shall contain evidence of the failure of payment and the estimated dollar amount needed to satisfy payment obligations. The terms of the Letter of Credit shall require prompt payment to Lessor for the amount set forth in Lessor's application upon satisfaction of the conditions set forth in the Letter of Credit. Upon and following any partial payment to Lessor, the Letter of Credit shall remain in full force for the remaining undisbursed amount of the Letter of Credit to accommodate further applications, if any, and shall not be subject to cancellation or revocation until fully drawn or otherwise released or satisfied upon completion of construction of the improvements and final, unconditional lien waivers have been obtained from all contractors supplying labor and materials in connection with the construction. Lessor must approve the form and content of any Letter of Credit in writing, which approval shall not be unreasonably withheld, conditioned, or delayed.

5.2.2 Performance Guarantee. In addition to the Security Deposit, Lessee's obligation to timely complete the improvements described in Section 7 herein shall be secured, at Lessee's sole cost and expense and prior to commencement of construction of said improvements, by any one of the following instruments, chosen at Lessee's discretion:

(a) Performance Bond. Lessee shall require the contractor to provide a performance bond in the full contract amount conditioned upon the faithful performance of the contract in accordance with plans, specifications and conditions thereof. The bond shall be in a form reasonably acceptable to Lessor; shall be issued by a surety company reasonably acceptable to Lessor and duly licensed for such undertaking in the state of Arizona; and shall be accompanied by a power of attorney disclosing the authority of the person executing it on behalf of the surety; or

(b) Completion Bond. Lessee shall deliver to Lessor a completion bond in form and substance reasonably acceptable to Lessor pursuant to which Lessor shall have the unconditional, direct and unilateral right to draw upon or use such bond for completion of construction of the Improvements under Section 7.1 of this Lease if an Event of Default occurs and is continuing under Section 7.2.2 of this Lease. The bond shall be in a form reasonably acceptable to Lessor; shall be issued by a surety company reasonably acceptable to Lessor and duly licensed for such undertaking in the state of Arizona; and shall be accompanied by a power of attorney disclosing the authority of the person executing it on behalf of the surety.

6. AIRCRAFT OPERATIONS GUIDELINES.

If and to the extent that Lessee operates aircraft at or on the Airport, Lessee shall be subject to the provisions of **Exhibit C**. If any subtenant, contractor or agent of Lessee conducting activities on or at the Premises for or on behalf of Lessee and acting within the scope of their employment operates aircraft at the Airport, all shall be subject to the provisions of **Exhibit C**, which Lessor may enforce directly against such subtenant, contractor or agent, but Lessee shall have no direct liability or responsibility with respect to such matters; except, however, Lessee shall be responsible for compliance by its subtenants, contractors and/or agents with the *Airport Rules and Regulations* and *Airport Minimum Standards*, as appropriate.

7. IMPROVEMENTS.

7.1 Construction by Lessee. Lessee shall, at its sole cost and expense, construct improvements on the Premises that are generally described as <general project description> and generally shall consist of \$<##> ("Improvements") in accordance with a site plan prepared by Lessee and approved by Lessor or by Lessor's Design Review Committee, if any, such approval not to be unreasonably withheld, conditioned, or

delayed, and in compliance with all applicable governmental regulations, restrictions, building codes and any declaration of covenants, conditions, restrictions and easements of record affecting the Premises and any design guidelines promulgated pursuant thereto that are applicable to the Premises. Lessor and Lessee agree that Lessee shall be solely responsible for: (i) any connection(s) between the Premises and the terminating point of the existing vehicular access way to the Premises that is required by applicable or utility provider or is requested by Lessee; (ii) constructing all improvements necessary to bring all utilities to the Improvements; (iii) installing all utility meters and water and sewer lines to service all Improvements constructed on the Premises; and (iv) if applicable, constructing all Improvements necessary to connect the Premises to existing taxiways or taxilanes in accordance with and if allowable under all Airport and FAA rules, regulations and other requirements.

7.2 Construction Milestones; Termination. Lessee shall construct its Improvements pursuant to the following schedule (each of which events are herein called a “**Construction Milestone**”):

7.2.1 Lessee shall submit its Improvement design plans to Lessor for review and approval no later than SIX (6) months from the Effective Date.

7.2.2 Lessee shall complete construction of all Improvements to be constructed by Lessee at and on the Premises, and shall have obtained a CofO (or its equivalent) from the City of Mesa therefor, [no later than < () > months from the Effective Date] or [no later than < () > months from the date that Lessee has a fully executed contract with its general contractor for construction of the Improvements].

7.2.3 If Lessee fails to commence construction within < () > calendar days after the issuance of all necessary construction permits and receipt of all approvals required for such, including any approvals required from the FAA, but subject to any applicable notice and cure periods provided for in Section 11, Lessor shall have the right to terminate this Lease by written notice to Lessee delivered at any time prior to commencement of construction. For purposes of this section “commencement of construction” shall be the date on which Lessee has obtained its permits, has executed a contract for construction of the Improvements and engaged in material work, such as grading or pouring of footings and slabs.

7.3 No Alterations. Lessee shall make no material improvements or alterations to the Premises during the Term of this Lease without the prior written permission of Lessor, which shall not be unreasonably withheld, conditioned, or delayed including, if and to the extent applicable, the approval by Lessor’s Design Review Committee. The process of approving any material improvements or alterations by Lessor and Lessor’s Design Review Committee shall occur within the same period of time (without duplication) given to Lessor for approval of the same. Lessor will have FORTY-FIVE (45) days following receipt of a written request by Lessee for approval of material improvements or alterations to either approve or disapprove the same. If Lessor disapproves, Lessor shall provide Lessee with a reasonably-detailed explanation for Lessor’s disapproval and suggestions for revisions that would reasonably satisfy Lessor’s disapproval. If Lessor fails to respond within such FORTY-FIVE (45)-day period Lessee may give a second notice to Lessor requesting approval of material improvements or alterations, on which the following language must appear in bold print: “**FAILURE TO RESPOND TO THIS NOTICE WITHIN FIVE (5) BUSINESS DAYS FROM ITS RECEIPT SHALL RESULT IN THE LESSEE’S PROPOSED IMPROVEMENTS AND ALTERATIONS BEING DEEMED APPROVED.**” If Lessor fails to respond in writing (in the manner described above) to any matter in such second notice within FIVE (5) business days following delivery of such notice, Lessee’s proposed improvements and alterations shall be deemed to have been approved by Lessor. If Lessor disapproves a request for approval and sets forth the reason for its disapproval, then Lessee may resubmit a revised description of the improvements or alterations for review and approval. This cycle will repeat itself until Lessor either approves the request or is deemed to

have approved the same. Lessee shall provide Lessor with electronic as-built drawings (or their equivalent) when any improvement or alteration is completed for which such drawings are reasonably required.

7.4 Title to Alterations and Improvements. Title to all Improvements and alterations on the Premises (but not personal property or trade fixtures) shall vest in Lessor upon the expiration of this Lease, and Lessee agrees to execute and deliver to Lessor, within TEN (10) business days after Lessor's written request therefor, a quitclaim deed quitclaiming such Improvements and alterations to Lessor.

7.5 Mechanics' Liens. Lessee shall keep the Premises and all improvements constructed by Lessee thereon free of any mechanic or materialmen's liens. In the event that any such lien is filed, Lessee shall, at its sole cost, cause such lien to be removed from the Premises by bonding or otherwise within THIRTY (30) calendar days of notice thereof.

7.6 Permit Required. Lessee shall be responsible for determining whether it is subject to local building/construction codes or permit requirements, and for compliance with them to the extent they are applicable. All structural, electrical, plumbing or mechanical construction or reconstruction of the Improvements shall conform to City of Mesa ("City") construction and technical codes. No such work shall be commenced without first obtaining required permits from the City. All such work shall be permitted, inspected and approved by the City prior to concealment or use, as required by applicable laws. Lessee shall provide to Lessor a contemporaneous copy of Lessee's permit application and a copy of the final stamped approval and the associated plans and specifications.

7.7 Damage or Destruction. Lessee shall maintain insurance on all of Lessee's Improvements to the Premises. In the event that all or any portion Lessee's Improvements are destroyed or rendered unusable due to fire or other catastrophe, Lessee shall replace, repair, restore, modify or improve said Improvements, subject to the provisions of Section 7.6, using available insurance proceeds together with any additional funds from other available sources. Notwithstanding the foregoing, if any damage or destruction occurs to the Premises during the last <_____ (##)> years of the Initial Term or any Extension Term and the cost to repair the damage exceeds <_____> Dollars (<\$##>), Lessee may terminate this Lease upon giving Lessor thirty (30) days' written notice, whereupon Lessee shall pay the replacement cost of the Improvements to Lessor.

8. MAINTENANCE.

8.1 Lessee Responsibilities. Lessee shall, at its sole cost and expense, keep the Premises in a clean condition and in good order, condition and repair throughout the Term, reasonable wear and tear excepted. Lessee's maintenance of the Premises shall consist of, as reasonably necessary, the inspection, servicing and repair of all improvements, including pest control, landscaping and grounds maintenance.

8.2 Damage to Lessor Property. Any real or personal property of Lessor damaged or destroyed by Lessee (or its agents, contractors, employees, managers and representatives) as a result of Lessee's use or occupancy of the Premises shall be promptly repaired or replaced by Lessee to the reasonable satisfaction of Lessor; provided however, that Lessor acknowledges and agrees that Lessor's real property will be permanently altered, changed and modified as a result of the development and use of the Premises, and Lessor hereby consents thereto, and agrees that such development and use of the Premises as permitted in accordance with this Lease shall not constitute waste, damage or destruction to Lessor's real property. Lessor also approves of Lessee demolishing any and all improvements located on or under the Premises.

8.3 Trash Removal. Lessee shall at all times keep the Premises in a clean, safe, sanitary and orderly condition and shall keep such area reasonably free of all trash and debris, and in any event in compliance with all applicable laws and ordinances. Lessee shall be responsible for all trash removal from the

Premises and Lessee shall deposit all trash and debris only at collection stations located on or in proximity to the Premises, in accordance with City code.

8.4 Emergency Repairs. Within FIFTEEN (15) days of the Effective Date, Lessee shall provide Lessor with a list of names and telephone numbers for 24-hour emergency contact for the Premises. Lessee shall promptly provide Lessor with updated lists and changes as necessary.

9. ASSIGNMENT, SUBLETTING AND OTHER TRANSFERS.

9.1 Assignment.

9.1.1 Consent Required. Subject to Lessee's rights under Article 24, Liens and Mortgages, Lessee may not transfer or assign ("**Transfer**") its interest in this Lease or any right or interest hereunder without the prior consent of Lessor, which consent may not be unreasonably withheld, delayed or conditioned. Lessor will have FORTY-FIVE (45) days following receipt of a written request by Lessee for approval of a Transfer to either approve or disapprove the same. If Lessor disapproves, Lessor shall provide Lessee with a reasonably-detailed explanation for Lessor's disapproval. If Lessor fails to respond within such FORTY-FIVE (45)-day period Lessee may give a second notice to Lessor requesting approval of a Transfer, on which the following language must appear in bold print: "**FAILURE TO RESPOND TO THIS NOTICE WITHIN FIVE (5) BUSINESS DAYS FROM ITS RECEIPT SHALL RESULT IN THE LESSEE'S PROPOSED TRANSFER BEING DEEMED APPROVED.**" If Lessor fails to respond in writing (in the manner described above) to any matter in such second notice within FIVE (5) business days following delivery of such notice, Lessee's proposed Transfer shall be deemed to have been approved by Lessor. If Lessor disapproves a request for approval and sets forth the reason for its disapproval, then Lessee may resubmit a revised proposal for a Transfer for review and approval. This cycle will repeat itself until Lessor either approves the request or is deemed to have approved the same. Notwithstanding the foregoing, however, Lessee may assign or encumber its leasehold interest, including any title to any improvements, as security in conjunction with or as part of one or more leasehold mortgages or deeds of trust, including assignments by means of a foreclosures or trustee's sales thereunder without Lessor's consent. In the case of an assignment (other than an assignment or encumbrance as security), the assignee must expressly assume in writing all of Lessee's obligations under this Lease from and after the date of such assignment.

9.1.2 Deemed Transfers. For the purposes of this Lease, a Transfer shall be deemed to include the following: (i) the transfer of any ownership interest in Lessee resulting in a change in the present control of Lessee by the person or persons owning a majority of the ownership interest thereof as of the date of this Lease; provided, however, if Lessee is a corporation whose stock is traded on a nationally recognized stock exchange, the transfer of Lessee's stock shall not constitute a Transfer requiring Lessor's consent; and (ii) the sale of greater than FORTY-NINE PERCENT (49%) or more in value of the assets of Lessee, whether in a single transaction or a series of transactions.

9.2 Subletting.

9.2.1 Lessee may sublease all or portions of the Premises if the following conditions are met:

(a) The sublease and any amendments or modifications thereto are approved in advance and in writing by Lessor (which approval shall not be unreasonably withheld, delayed or conditioned), or is/are in a form which shall have been previously approved in writing (except for changes that do not materially impact Lessor's rights and interests) by Lessor. If a pre-approved form is used, Lessor's advance approval of the actual sublease and any amendments or modifications thereto is not required. Lessor will have FORTY-FIVE (45) days with respect to a new sublease, or FIFTEEN (15) days with respect to amendments or modifications to a sublease, following receipt of a written request by Lessee for

approval of a Transfer to either approve or disapprove the same. If Lessor disapproves, Lessor shall provide Lessee with a reasonably-detailed explanation for Lessor's disapproval. If Lessor fails to respond within such FORTY-FIVE (45)-day or FIFTEEN (15)-day period, as the case may be, Lessee may give a second notice to Lessor requesting approval of a Transfer, on which the following language must appear in bold print: **"FAILURE TO RESPOND TO THIS NOTICE WITHIN FIVE (5) BUSINESS DAYS FROM ITS RECEIPT SHALL RESULT IN THE LESSEE'S PROPOSED TRANSFER BEING DEEMED APPROVED."** If Lessor fails to respond in writing (in the manner described above) to any matter in such second notice within FIVE (5) business days following delivery of such notice, Lessee's proposed sublease, amendment or modification, as the case may be, shall be deemed to have been approved by Lessor. If Lessor disapproves a request for approval and sets forth the reason for its disapproval, then Lessee may resubmit a revised proposal for a Transfer for review and approval. This cycle will repeat itself until Lessor either approves the request or is deemed to have approved the same.

(b) Rent for subleased premises shall not be less than fair market value unless otherwise approved in writing by Lessor.

(c) The sublease(s) and sublessee(s) shall at all times be subject to the terms and conditions of this Lease.

(d) The permitted uses of the Premises under any sublease shall be the same as that permitted under this Lease. Sublessees shall agree in the sublease not to engage in any Prohibited Use.

(e) The term of any sublease shall not extend beyond the stated expiration of this Lease.

(f) Except for the payment of a security deposit, the sublessee under such sublease shall not pay rent more than SIX (6) months in advance of its due date under the sublease.

9.2.2 Upon request from Lessee and/or any sublessee, Lessor shall enter into a Non-Disturbance and Attornment Agreement (in form and substance reasonably acceptable to Lessor, Lessee, sublessee and any applicable Mortgagee of Lessee or sublessee) so long as (i) the conditions of Section 9.2.1 have been met; (ii) the sublessee is not then in default beyond an applicable notice and cure period under the sublease and there is no existing Event of Default under this Lease; and (iii) the sublessee does not have a history of five (5) or more documented events of noncompliance with the *Airport Rules and Regulations* or *Airport Minimum Standards*. All reasonable legal fees incurred by Lessor in connection with any reasonably necessary third-party legal counsel review and approval of a Non-Disturbance and Attornment Agreement shall be paid by Lessee or sublessee.

9.2.3 Lessee shall not permit any sublessee unescorted access to the secured areas of the Airport unless and until the sublessee has obtained its own valid Airport security clearance and access credentials from Lessor. Lessee acknowledges that it may take THIRTY (30) calendar days or more to process sublessee for security clearance and access credentials.

9.2.4 Lessee shall submit a copy of each fully executed sublease to Lessor as soon as possible, but no later than FIVE (5) business days after Lessee receives the fully executed sublease.

9.3 Non-Disturbance. Lessor agrees, for the benefit of all subtenants of all or any part of the Premises, that if this Lease or Lessee's right to possession of the Premises is terminated for default or otherwise, all subleases of all or any part of the Premises, except any sublease to an Affiliate of Lessee, shall continue in full force and effect, notwithstanding the termination, as direct leases between Lessor and the subtenants and all such subtenants shall, upon request, attorn in writing to Lessor.

10. SIGNS.

Lessee may install on the Premises, including the Improvements, one or more signs, including signs identifying its business and, if Lessee so desires, a monument sign on the Premises; provided, however, that the general type, size, and location of such sign(s) shall conform to Lessee's Comprehensive Sign Plan, be approved in writing by Lessor in advance of installation, which approval may not be unreasonably withheld, conditioned or delayed, and be subject to any signage rules, codes and/or regulations of any governmental authority.

11. DEFAULT; TERMINATION BY LESSOR.

11.1 Events of Default. Each of the following shall constitute a material default of this Lease by Lessee ("**Event of Default**"):

11.1.1 Failure to pay any installment of Base Rent or other amount due from Lessee hereunder, provided that Lessee does not cure such failure within TEN (10) business days after delivery by Lessor of a written notice of such failure.

11.1.2 11.1.2 Failure to perform any of its other obligations under this Lease, or failure to perform any of its obligations as a "Lessee" under the Declaration (as defined in Section 44 below), provided that Lessee does not cure such failure within THIRTY (30) calendar days after delivery by Lessor to Lessee of a written notice of such default; provided, however, if a cure of the default reasonably requires more than THIRTY (30) calendar days to complete, then the time to cure shall be extended so long as the cure is being diligently pursued.

11.1.3 The filing of any mechanic's, materialmen's or other lien or any kind against the Premises because of any act or omission of Lessee which lien is not discharged, by bonding or otherwise, within THIRTY (30) calendar days of receipt of actual notice thereof by Lessee.

11.1.4 The Transfer or attempted transfer of any interest in the Lease to any transferee in violation of Section 9, provided that Lessee does not cancel or otherwise negate such Transfer or attempted transfer within THIRTY (30) calendar days after delivery by Lessor to Lessee of a written notice of such default.

11.1.5 Failure to pay its Proportionate Share of any Common Area Assessment in accordance with the Declaration as provided in Section 44 below, provided that Lessee does not cure such failure within TEN (10) business days after delivery by Lessor to Lessee of a written notice of such failure.

11.2 Lessor's Remedies. Upon the occurrence of an Event of Default under this Lease, Lessor may, without prejudice to any other rights and remedies available to a Lessor at law, in equity or by statute, exercise one or more of the following remedies, all of which shall be construed and held to be cumulative and non-exclusive:

11.2.1 Terminate this Lease and re-enter and take possession of the Premises; or

11.2.2 Without terminating this Lease, re-enter and take possession of the Premises; or

11.2.3 Without such re-entry, recover possession of the Premises in the manner prescribed by any statute relating to summary process, and any demand for Base Rent, and any and all notices to quit, or other formalities of any nature to which Lessee may be entitled, are hereby specifically waived to the extent permitted by law; or

11.2.4 With or without terminating this Lease, Lessor may re-let the Premises or any portion thereof.

Lessor agrees that Lessor's right to re-enter the Premises under Arizona Revised Statutes Section 33-361 and other similar rights shall arise after, and only after, the applicable notice and cure or grace periods under this Lease have been given and expired without such default or failure having been cured by Lessee.

11.3 No Implied Termination. Lessor shall not be deemed to have terminated this Lease unless Lessor shall have notified Lessee in writing that it has so elected to terminate this Lease. Except for Lessor's negligence or willful misconduct, Lessee hereby waives all claims based on Lessor's reentering and taking possession of the Premises, or removing and storing the property of Lessee, and Lessee shall reimburse Lessor for all reasonable costs incurred by Lessor occasioned thereby. No such reentry shall be considered or construed to be a forcible entry by Lessor.

11.4 Lessor's Current Damages. Upon the occurrence and during the continuance of an Event of Default, Lessor is authorized to make such repairs, refurbishments or improvements to the Premises as may be necessary for the purpose of attempting to re-let the Premises, and the reasonable costs and expenses incurred in respect of such repairs, redecorating, refurbishments and improvements shall be paid by Lessee to Lessor within TEN (10) business days after receipt of Lessor's statement. If Lessor exercises any of the remedies stated above, Lessor shall be entitled to recover from Lessee all actual damages incurred by Lessor by reason of the Event of Default, which shall include, without limitation, (i) the equivalent of the amount of the present value of Base Rent and all other payments which would be payable under this Lease by Lessee for the remainder of the Term as if this Lease were still in effect, less (ii) the net proceeds of any re-letting by Lessor after deducting all of Lessor's reasonable expenses in connection with such re-letting, which shall include, without limitation, repossession costs, repairs, redecorating, refurbishments or improvements to the Premises, brokerage commissions, attorneys' fees, and legal expenses. Lessee shall pay such current damages to Lessor, in the amount set forth in the preceding sentence ("**Deficiency**"), in monthly installments on the days on which the Base Rent would have been payable under this Lease as if this Lease were still in effect. In no event shall Lessee be liable for punitive, consequential or speculative damages under this Lease. Lessor agrees to satisfy its obligations to mitigate its damages.

11.5 Lessor's Final Damages. At any time after an Event of Default, whether or not Lessor shall have collected any monthly Deficiency as set forth above, Lessor shall be entitled to recover (without duplication) from Lessee, and Lessee shall pay to Lessor, promptly on demand, as Lessor's final damages for the applicable Event of Default, the sum of (a) the then present worth (at a discount at the rate of SIX PERCENT (6%) per annum) of (i) the aggregate of the Base Rent and all other amounts to be paid by Lessee hereunder for the unexpired portion of the Term of this Lease (assuming this Lease had not been terminated), less (ii) the amount of Rent and any losses that could have been reasonably avoided, plus (b) reasonable repossession costs, reasonable Lessor's expenses in connection with any attempts it may have made to re-let the Premises (which shall include, without limitation, repairs, refurbishments or improvements to the Premises and brokerage commissions), reasonable attorneys' fees, reasonable legal expenses, and all other actual damages incurred by Lessor as a result of such Event of Default.

11.6 No Waiver by Lessor. No waiver by Lessor of any breach or default by Lessee in the performance of its obligations under this Lease shall be deemed to be a waiver of any subsequent default by Lessee in the performance of any of such obligations, and no express waiver shall affect an Event of Default in a manner other than as specified in said waiver. The consent or approval by Lessor to or of any act by Lessee requiring Lessor's consent or approval shall not be deemed to waive or render unnecessary Lessor's consent or approval to or of any subsequent similar acts by Lessee.

11.7 Content of Default Notice. Any default notice tendered to Lessee hereunder shall be deemed to be sufficient if it reasonably describes the nature of such default, and is made in accordance with Section 20 herein.

11.8 Limitation on Exercise of Termination Remedy by Lessor. Notwithstanding anything to the contrary in Section 11.2 hereinabove, if an Event of Default occurs, Lessor shall not have the remedy of terminating this Lease or of taking possession of the Premises unless: (i) the Event of Default consists of a failure to pay Base Rent or other amounts owed to Lessor; or (ii) Lessor has no other remedy that is adequate to protect Lessor's interests. Nothing in this Section 11 shall limit the exercise of any such other remedy.

11.9 Waiver of Landlord's Lien. Lessor hereby waives all statutory or common law landlord's lien rights with respect to personal property located on the Premises.

12. ASSUMPTION OF CRITICAL OPERATIONS.

In the event that Lessee voluntarily abandons or is prevented from furnishing any of its required commercial services which have been deemed by Lessor in advance and in writing to Lessee to be critical to the operation of the Airport (other than due to Unavoidable Delay), and Lessee has received and is in agreement with said notification, Lessor shall have the immediate right or, if time permits, upon twenty-four (24) hours advance written notice to Lessee, to assume responsibility for providing such critical services until such time as Lessee or another entity acceptable to Lessor assumes responsibility for providing those critical services. In exercising such right, Lessor may take temporary control of the Premises, or any portion thereof involved in providing such commercial services, together with whatever improvements, fixtures and equipment on the Premises as are necessary to provide the critical services without waiving any of Lessor's rights hereunder. In no event shall Lessee be liable or responsible for any actions or omissions of Lessor or its agents, employees, or contractors in connection with Lessor's assumption of responsibility for providing such critical services. In the event Lessor takes temporary control of the Premises or any portion thereof, Lessor shall pay to Lessee such rent or fees reasonably commensurate with Lessor's assumption and use of that portion of the Premises to provide those critical, commercial services. [Note: if Lessee's permitted use and operations are not critical to Airport operations, delete the contents of this entire section and re-title the section Reserved.]

13. INDEMNIFICATION.

13.1 Lessee's Indemnity. Except for the actions and omissions of Lessor and its agents, contractors, employees, managers and representatives, to the fullest extent permitted by law, Lessee hereby agrees to defend, indemnify and hold harmless Lessor and its members, elected or appointed officials, agents, contractors, subcontractors, boards, commissions and employees (hereinafter referred to collectively as the "Lessor" for purposes of this Section 13.1) for, from and against any and all third-party claims, causes of action, liability, suits, litigation (including reasonable attorney's fees and other costs of investigation and litigation), actions, losses, damages or claims of any nature whatsoever to the extent such arise out of or in connection with (i) any accident, injury or actual damages occurring within the Premises during the Term caused by Lessee or its agents, employees, contractors, or subcontractors, or (ii) any negligent act or omission of Lessee or its agents, employees, contractors, or subcontractors (hereinafter referred to collectively as "Lessee" for purposes of this Section 13.1) on the Property or the Airport and which result directly or indirectly in the injury to or death of any persons or the damage to or loss of any property or other damages or losses to Lessor, or (iii) the failure of Lessee to comply with any provisions of this Lease. This indemnification shall exclude responsibility for any damages and for claims arising by reason of the acts or omissions of Lessor or its employees, contractors or agents.

13.2 Lessor's Indemnity. Except for the actions and omissions of Lessee and its agents, contractors, employees, managers and representatives, to the fullest extent permitted by law, Lessor hereby

agrees to defend, indemnify and hold harmless Lessee and its members, elected or appointed officials, agents, contractors, subcontractors, boards, commissions and employees (hereinafter referred to collectively as the “Lessee” for purposes of this Section 13.2) for, from and against any and all third-party claims, causes of action, liability, suits, litigation (including reasonable attorney’s fees and other costs of investigation and litigation), actions, losses, damages or claims of any nature whatsoever to the extent such arise out of or in connection with (i) any negligent act or omission or intentional misconduct by Lessor or its agents, employees, contractors, or subcontractors (hereinafter referred to collectively as “Lessor” for purposes of this Section 13.2) on the Property or the Airport, and which result directly or indirectly in the injury to or death of any persons or the damage to or loss of any property or other damages or losses to Lessee, or (ii) the failure of Lessor to comply with any provisions of this Lease. This indemnification shall exclude responsibility for any damages and for claims arising by reason of the acts or omissions of Lessee or its employees, contractors or agents.

13.3 Lessor’s Damage to Improvements. Lessor shall be responsible and liable for any damage to any Improvements or alterations on the Property to the extent caused by Lessor or its agents, employees, contractors or subcontractors, and Lessor shall promptly repair any damage caused by Lessor or its agents, employees, contractors or subcontractors.

14. ENVIRONMENTAL PROTECTION.

14.1 Definitions. Unless the context shall clearly require otherwise, the terms defined in this Section 14.1 shall, for all purposes of this Lease and of any agreement amendatory hereof or supplemental hereto, have the meanings herein specified, with the following definitions to be equally applicable to both the single and plural forms of any of the following:

14.1.1 Environmental Laws. The term “Environmental Laws” shall mean any one or all of the following, as the same are amended from time to time: the *Comprehensive Environmental Response, Compensation, and Liability Act*, 42 USC Section 9601 et seq.; the *Resource Conservation and Recovery Act*, 42 USC Section 6901, et seq.; the *Toxic Substances Control Act*, 15 USC Section 2601 et seq.; the *Safe Drinking Water Act*, 42 USC Section 300f et seq.; the *Clean Water Act*, 33 USC Section 1251 et seq.; the *Clean Air Act*, 42 USC Section 7401 et seq.; the *Arizona Hazardous Waste Management Act*, A.R.S. Section 49-921 et seq. the *Arizona Environmental Quality Act*, A.R.S. Title 49, as amended; and all regulations thereunder and any other laws, regulations and ordinances (whether enacted by the local, state or federal government) now in effect or hereafter enacted that deal with the regulation or protection of the environment, including the ambient air, ground water, surface water, and land use, including substrata land, or that govern the use of hazardous materials, hazardous waste and hazardous substances and petroleum products.

14.1.2 Hazardous Material. The term “Hazardous Material” shall mean any toxic or hazardous material, substance or waste, or any pollutant or contaminant as defined or regulated pursuant to any Environmental Law and petroleum products. For purposes of this definition, petroleum includes petroleum-based substances comprised of a complex blend of hydrocarbons derived from crude oil through processes of separation, conversion, upgrading and finishing (e.g., distillate fuel oils, petroleum solvents and used oils).

14.2 [Intentionally Omitted].

14.3 Environmental Compliance.

14.3.1 Lessee shall, at the Lessee’s own expense, comply with all present and hereafter enacted Environmental Law, including any amendments thereto, affecting Lessee’s activities on and property interest in the Premises during the period of Lessee’s occupancy of thereof under this Lease. To the extent that Lessor, or any Lessor’s employees, agents or contractors, conducts any activities on the Premises during

the period of Lessee's occupancy, Lessor shall, at Lessor's own expense, comply with all present and hereafter Environmental Law, including any amendments thereto, affecting any of Lessor's activities on the Premises.

14.3.2 Lessee shall not cause or permit any Hazardous Material to be brought upon, kept or used in or about the Premises or the Airport by Lessee's agents, employees, contractors or invitees in violation or threatened or suspected violation of any Environmental Law. The Parties recognize and agree that Lessee may bring on the Premises and Airport and use Hazardous Material that is ordinarily and customarily used in the conduct of Lessee's permitted activities under this Lease, provided that such use shall comply fully with all applicable Environmental Laws. Lessor shall not cause or permit any Hazardous Material to be brought upon, kept, or used in or about the Premises or by Lessor's agents, employees, contractors for any activity Lessor conducts on the Premises during Lessee's occupancy, without prior notification to and approval by Lessee (which shall not be unreasonably withheld), and any such use or presence shall be in compliance with Environmental Law.

14.3.3 If Lessee desires and receives written authorization from Lessor to install any underground storage tanks ("USTs") on the Premises or elsewhere on the Airport, Lessee shall submit the plans for such USTs to Lessor for prior written approval and shall comply with all applicable Environmental Laws related thereto, including Title 40, Code of Federal Regulations, Part 280, as adopted by the State of Arizona ("Part 280"), and Lessee shall be the owner of such USTs for statutory purposes. Installation of USTs shall comply with the "code of practice" set forth in Part 280. Lessee is solely responsible for the design, construction, installation, operation, monitoring, inspection, repair and maintenance of any and all USTs, including any connected piping and/or dispensing apparatus. Lessee shall provide to Lessor a copy of the Arizona Department of Environmental Quality *Notification of Underground Storage Tank Registration* that Lessee submits to the state. All USTs shall meet or exceed the tank performance standard for USTs installed after December 22, 1998, including corrosion protection, leak detection and spill/overflow protection. Any UST that stores flammable and combustible liquids shall meet the provisions of NFPA 30, *Flammable and Combustible Liquids Code*. Records demonstrating compliance with release detection requirements, including product inventories, calibration and maintenance, sampling, tightness testing and any other records, fees and taxes required by the state or federal governments shall be the responsibility of Lessee. Upon the expiration of this Lease, Lessee shall remove all USTs in compliance with all UST closure requirements under all applicable Environmental Laws in effect at that time unless otherwise allowed by Lessor. [Note: If no USTs are permitted or possible under the Lease, delete this subsection in its entirety.]

14.4 Indemnification. To the fullest extent permitted by law, Lessee shall indemnify, defend (with counsel reasonably acceptable to Lessor), protect and hold harmless Lessor and its employees and agents for, from and against any and all liability, loss, damage, expense, penalties and legal and investigation fees or costs, arising from or related to any claim or action for injury, liability, or damage to persons or property and any and all claims or actions brought by any person, entity or governmental body, alleging or arising in connection with contamination of the environment or violation of any Environmental Law or other statute, ordinance, rule, regulation, judgment or order of any government or judicial entity ("**Environmental Damages**") which are incurred or assessed as a result of any of Lessee's activities or operations on the Premises or Airport. This obligation includes, but is not limited to, all costs and expenses related to cleaning up the property, land, soil and underground or surface water as required under the law. Lessee's obligations and liabilities under this Section 14.4 shall survive the termination of this Lease. The indemnification of Lessor by Lessee as described above includes, without limitation, costs incurred in connection with any investigation of site conditions or any cleanup, remedial, removal or restoration work required by any federal, state or local governmental agency or political subdivision. Lessor reserves the right to seek injunctive relief as may be permitted under law and equity. This Section 14.4 explicitly excludes Lessee duty, liability or indemnity to Lessor for any claims or Environmental Damages of any kind whatsoever arising from or in connection with any contamination of any kind existing on the Premises prior to the Effective Date, except and only to the extent known contamination is exacerbated by Lessee or unknown contamination is exacerbated by Lessee's negligence.

14.5 Remediation. Without limiting the foregoing, if the presence of any Hazardous Material during the Term of this Lease caused or permitted by Lessee to be first brought on the Airport or Premises upon or after the Effective Date results in any Release on the Airport or Premises in violation of any Environmental Law, Lessee shall promptly take action to remediate the affected property at its sole expense as necessary to return the Airport or Premises to the condition existing prior to the introduction of any such Hazardous Material to the Airport or Premises; provided that Lessor's approval of such actions shall first be obtained, which approval shall not, except in an emergency, be unreasonably withheld so long as such actions would not potentially have any material adverse long-term effect on the Airport and Lessee is not under administrative or court order related to such remediation action. Notwithstanding Lessor's approval pursuant to this Section 14.5, Lessor is not responsible for directing or managing any remediation action. For purposes of this Section 14.5, the term "Release" means any releasing, spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, disposing, or dumping. This Section 14.5 also applies to Lessee's remediation of any contamination of any kind existing on the Premises or Airport prior to the Effective Date, including any such contamination that may be first discovered after the Effective Date but not caused by Lessee, except and only to the extent known contamination is exacerbated by Lessee or unknown contamination is exacerbated by Lessee's negligence.

14.6 Governmental Submittals. Lessee shall, at Lessee's own expense, make all submissions to, provide all information to, and comply with all requirements of the appropriate governmental authority ("Government") under the Environmental Laws. Should the Government determine that a site characterization, site assessment and/or cleanup plan should be prepared and/or that a cleanup should be undertaken because of any spills or discharges of Hazardous Material by reasons of Lessee's activities or actions at the Airport which occur during the Term of this Lease, then Lessee shall, at the Lessee's own expense, prepare and submit the required plans and financial assurances, and carry out the approved plans.

14.7 Information Sharing.

14.7.1 Lessee shall immediately notify Lessor of any of the following: (i) Lessee's receipt of any notification from any governmental entity either charging or informing Lessee that it will be charged with a significant violation of Environmental Law (as defined below), and (ii) any significant change in Lessee's activities on the Premises that is reasonably likely to adversely change Lessee's obligations or liabilities under the Environmental Laws. In addition, Lessee agrees to provide Lessor with non-privileged copies of documents reflecting the physical condition of the Premises, including but not limited to, environmental testing of soils and groundwater, and existing, non-privileged information reasonably requested by Lessor to determine the applicability of the Environmental Laws to the Premises, or to assist in the response to any governmental investigation or claim of liability by third parties which is related to environmental contamination of the Premises, to the extent that such investigations or claims are related to Lessee's activities thereon. A "significant violation of Environmental Law" shall be any violation that requires more than ONE HUNDRED EIGHTY (180) calendar days to resolve.

14.7.2 Lessee shall install on any UST that it is permitted to install pursuant to Section 14.3.3, a method or a combination of methods for Release detection that can detect a Release from any portion of the UST and any connected underground piping. Lessee shall immediately notify Lessor's Operations and Maintenance Department upon discovering a Release or Suspected Release of any amount of material that is stored inside a UST. For purposes of this Section, a "Suspected Release" is any discovery of released Hazardous Material at the UST site or surrounding area, erratic behavior of Hazardous Material dispensing equipment, the sudden loss of a Hazardous Material, an unexplained presence of water in the UST, or when monitoring indicates that a Release has occurred. In the case of inventory control, Lessee shall notify the Lessor's Operations and Maintenance Department when the second consecutive month of inventory reconciliation data indicates that there is a discrepancy in the figures recorded. [Note: If no USTs are permitted under the Lease, delete this subsection 14.7.2 in its entirety; also, delete the subsection number 14.7.1 and combine the provision thereunder into section 14.7.]

14.8 Sublease. Lessee shall insert provisions substantially identical to the provisions of this Section 13.1 in any sublease agreement or contract by which it grants a right or privilege to any person, firm, corporation or other entity under this Lease.

14.9 Actions of Lessee. The activities or actions of Lessee under this Section 13.1 shall include the activities or actions of Lessee's officers, directors, employees, agents, contractors, invitees and successors.

14.10 Clean Water Act; NPDES Permits and SWPPPs. Without in any way limiting the foregoing, Lessee shall comply with all Environmental Laws regarding discharges to water and land, including, without limitation, obtaining and complying with an individual National Pollutant Discharge Elimination System (NPDES) permit, or requesting coverage under and complying with any applicable Multi-Sector General Permit ("MSGP"). If applicable, Lessee shall also prepare and comply with a site-specific MSGP with an individual Storm Water Pollution Prevention Plan ("SWPPP") or any revisions to a SWPPP, with respect to Lessee's operations or activities on the Premises or Airport. Proof of individual compliance shall be provided in the form of both the Lessee's Notice of Intent ("NOI") that has been received by the Arizona Department of Environmental Quality ("ADEQ") and the individual Arizona Multi-Sector General Permit (AZMSGP) number associated with the NOI, within the times prescribed by law.

14.11 Environmental Assessments. [Note: If no USTs are planned or permitted, delete subsections 14.11.1 and 14.11.2 below; also, re-title section 14.11 as Reserved.]

14.11.1 If, during the Term of this Lease, any of Lessee's USTs are suspected of or known to be leaking, Lessee shall perform, or cause to be performed, a site characterization of the Premises and/or UST site using all appropriate sections of the LUST Site Characterization Manual dated January 15, 1999, or the most current edition, including tables 1 through 6, as applicable ("**Site Characterization**").

14.11.2 Within THIRTY (30) calendar days immediately preceding the expiration of this Lease or within THIRTY (30) calendar days of any earlier termination of the Lease, Lessee shall:

(a) Deliver to Lessor: (i) a Phase I environmental site assessment that conforms to the standards set forth in 42 USC § 9601(35)(B), as amended by Pub. L. 107-118 (Jan. 11, 2002), section 223(2), and as may be further amended, and any regulations thereunder; and (ii) an environmental compliance audit assessing the status of regulatory compliance of the Premises and all operations and activities thereon; both prepared by a qualified engineer licensed by the State of Arizona; and

(b) In the event Lessee installs any USTs upon the Premises or elsewhere on the Airport, perform or cause to be performed a Site Characterization of the Premises in the event there is evidence that there has been or may be a leak or Release of the UST contents; and

(c) If either the assessment described in Section 14.11.2(a)(i) above or the Site Characterization described in Section 14.11.2(a)(ii) above identifies any "recognized environmental condition," or any other condition indicating a known or potential liability, including, but not limited to, a known or potential violation of any Environmental Law or a past, present, or material threat of a future release of a hazardous substance or a petroleum product into the environment, Lessor reserves the right, at Lessor's sole discretion, to require Lessee to conduct, at Lessee's sole expense and with a scope of work subject to Lessor's approval, further reasonable investigations and reasonable remediation.

14.12 Protective Devices and Plans. If Lessee is required by the City to estimate the possible constituents of sanitary sewer discharges in order that the City may define certain discharge limitations for the Premises, Lessee shall complete and return an *Industrial Wastewater Discharge Questionnaire* ("**Questionnaire**") to the City and promptly provide Lessor with updates to the Questionnaire as they arise. Also, if the City so requires, Lessee shall install and maintain appropriate protective devices to prevent accidental discharge of

any Hazardous Material into domestic or industrial drains on or near the Premises and elsewhere on the Airport, as appropriate, and for any other material for which a slug load discharge could pollute the Airport's storm water discharge or disrupt operations at the sewage treatment plant serving the Premises. Lessee shall post a notice in a prominent place on the Premises advising employees what actions to take and whom to call in the event of said discharge, and shall ensure that all employees of Lessee are trained with regard to the spill protection plan hereinafter referenced. Lessee also shall provide Lessor with immediate notice of any spill.

14.13 Right to Enter Premises. In addition to the rights afforded to Lessor in Section 19, this Lease specifically includes the right of the United States Government, the Environmental Protection Agency (the EPA), ADEQ and the Arizona Department of Occupational Safety and Health (ADOSH) to enter the Premises upon reasonable notice to Lessee for purposes of: (i) inspecting Lessee's compliance with environmental, occupational safety and health laws and regulations, whether or not such party is responsible for enforcing such laws; (ii) conducting environmental investigation or remediation, including, without limitation, performing tests and surveys, drillings, test-pitting, borings, compiling data and/or records, and other activities related to environmental investigation; and (iii) carrying out remedial or removal actions as required or necessary under applicable laws, including, without limitation, installing monitoring wells, pumping wells and/or treatment facilities. Lessee shall have no claim against Lessor for any entries by the United States, EPA, ADEQ, Arizona ADOSH, or any officer, agent, employee or contractor thereof.

14.14 U.S. Air Force Use and Remedial Action.

14.14.1 The Parties assume no liability or responsibility for environmental impacts and Environmental Damages or claims of any kind whatsoever caused by or resulting from the U.S. Air Force's use of Hazardous Material on any portion of the Airport, including the Premises, prior to the Effective Date, and have no obligation under this Lease to undertake the defense of any claim or action, whether in existence now or brought in the future, solely arising out of the use of or release of any Hazardous Material or deposits of solid waste on or from any part of the Airport, including, but not limited to, the Premises, even if such claims or contamination are first discovered or made after the Effective Date. Further, the Parties have no obligation under this Lease to undertake environmental response, remediation, or cleanup relating to any contamination caused by or related to such use or release. For purposes of this Section 14.14, "defense" or "environmental response, remediation, or cleanup" shall include liability and responsibility for the costs of damage, penalties, legal and investigative services relating to such use or release. The terms, "Occupation" or "Use" shall mean any activity or presence (in or upon) such portion of, or such building, facility or other improvement on the Premises.

14.14.2 Pursuant to Section VII.E.3 of the Deed (as defined herein), the U.S. Air Force warrants and covenants that all remedial action necessary to protect human health and the environment with respect to hazardous substances remaining on the Airport, including the Premises, has been completed prior to the date of the Deed and, further, any remedial action found to be necessary after the date of the Deed shall be conducted by the U.S. Air Force; provided, however, that the foregoing covenant does not apply where Lessor or Lessee is a potentially responsible party with respect to any portion of the Premises or the Airport.

14.15 Cleanup Requirements. Lessee agrees that Lessor assumes no liability to Lessee should Hazardous Material cleanup or related requirements, whether imposed by law, regulatory agencies, the U.S. Air Force or Department of Defense cause delays or interferes with Lessee's use of the Premises. Lessee shall have no claim against Lessor or the United States or any officer, agent, employee or contractor thereof on account of any such interference whether due to entry, performance of remedial or removal investigations, or exercise of any right with respect to the Federal Facilities Agreement (FFA) or the Installation Restoration Program (IRP) or under this Lease or otherwise. Lessee agrees to comply with the provisions of any health or safety plan in effect under the IRP or any hazardous substance remediation or response agreement with environmental regulatory authorities during the course of any of the above described response or remedial

actions. Any inspection, survey, investigation, or other response or remedial action conducted by Governmental Authorities or Lessor shall, to the extent practicable, be coordinated with representatives designated by Lessee.

14.16 Spill Protection Plan. In the event Lessee undertakes any type of manufacturing, maintenance or other activities on the Premises involving the use or generation of any Hazardous Material regulated by Hazardous Material Laws, Lessee shall have an plan for responding to Hazardous Material, fuel, and other chemical spills prior to commencement of activities on the Premises and other approved Airport locations. Such plan shall comply with all applicable requirements of said plan which shall be updated from time to time or as may be required to comply with changes in site conditions or applicable requirements, and shall be approved by all agencies that are obligated by law to approved such plan. Such plan shall be independent of Lessor's spill prevention and response plans, if any. Lessee shall not rely on use of Lessor or Lessor personnel or equipment in execution of its plan. Lessee shall file a copy of the plan and amendments thereto with Lessor's Environmental and Archeological Coordinator within THIRTY (30) calendar days of receipt of a CofO from the City. Notwithstanding the foregoing, should Lessor provide any personnel or equipment, whether for initial fire response and/or spill containment, on the request of Lessee, or because Lessee was not, in the opinion of Lessor, conducting fire fighting, containment or timely cleanup actions, Lessee agrees to reimburse Lessor for its actual costs in accordance with all applicable laws and regulations, except to the extent that Lessor was responding to conditions caused by events occurring at the Airport (not including the Premises) or by the negligence or omission of Lessor or its employees, agents or contractors. [Note: If manufacturing, maintenance or other activities involving Hazardous Material is not permitted by the Lease, delete the contents of this section in its entirety and re-title the section Reserved.]

14.17 Wells. Lessee shall not install any drinking water or other wells in any location on the Premises without the prior written approval of Lessor, except to the extent that the installation of a monitoring well is required by Governmental Authorities.

14.18 Surface Disturbances. After construction of Lessee's improvements on the Premises, if any, either in the future or as otherwise provided herein, Lessee shall not conduct any subsurface excavation, digging, drilling or other disturbance of the surface other than what is usual and customary for the anticipated uses without the prior written approval of Lessor, which shall not be unreasonably withheld, conditioned or delayed.

14.19 Later Discovered Hazmat. If any Hazardous Material is newly discovered on a portion of the Property after the Effective Date that: (a) (i) were not placed on or introduced to the Property by Lessee, and (ii) were present on the Premises prior to the Effective Date (collectively, "**Later-Discovered, Pre-Existing Hazmat**"); and (b) such Later-Discovered, Pre-Existing Hazmat will cause Unavoidable Delay in the construction of Improvements; Lessee shall immediately notify Lessor and cease development activity in the impacted area of the Premises, and Lessee shall have the right to either (a) conduct such investigations and remedial actions as necessary under applicable Environmental Law and continue development activity as the remedial process allows (and reserve any rights it may have to seek whatever compensation it is entitled to recover), if Lessor does not agree, within SEVEN (7) business days of receiving notice contemplated under this Section, to promptly investigate and remediate the detected contamination in accordance with Environmental Law, and on a schedule and in a manner that does not interfere with Lessee's development, use or construction plans, or (b) terminate this Lease upon written notice to Lessor.

15. PROTECTION OF WETLANDS.

Lessee shall minimize the destruction, loss, or degradation of any wetlands located on the Premises. Lessor believes there are no wetlands existing on the Premises as of the Effective Date. However, before locating new construction in wetlands, if any exist, Lessee shall contact Lessor and the permitting authority and obtain a permit or waivers under Section 404 of the Clean Water Act. For purposes of this Section 15,

the term, “new construction,” includes structures, facilities, draining, dredging, channeling, filling, diking, impounding, and related activities.

16. SPECIAL PROVISIONS.

16.1 Lessee shall comply with all applicable Federal, State, and local occupational safety and health regulations.

16.2 Lessee shall be responsible for determining whether it is subject to State and local sanitation, licensing, building code or building permit requirements and whether or not it requires a permit to do business and for compliance with them to the extent they are applicable.

17. INSURANCE.

17.1 Coverage Required. Lessee shall procure and maintain, or cause to be procured and maintained, the following types and amounts of insurance with respect to the Premises:

17.1.1 [To be determined on a commercially reasonable basis, based on tenant’s permitted use(s), in accordance with the then-current Airport Agreement Insurance Coverage Matrix.]

17.1.2 [To be determined on a commercially reasonable basis, based on tenant’s permitted use(s). Add additional sections, as necessary.]

17.1.3 Worker’s Compensation insurance, as required by law, and *Employer’s Liability* insurance in the amount of \$<amount> covering work-related injuries to employees and others permitted to operate or otherwise conduct business on the Premises. [Re-number this section, if appropriate.]

17.2 Form. Each insurance policy obtained pursuant to this Section, except for *Worker’s Compensation and Employer’s Liability* policies, shall: (i) name Lessor as a certificate holder or additional named insured; (ii) contain a provision that written notice of cancellation or modification thereof shall be given to Lessor not less than THIRTY (30) calendar days before such cancellation or modification takes effect (TEN (10) days in case of nonpayment of premium); and (iii) contain a waiver of subrogation in favor of Lessor. Lessee shall not permit any insurance policy to be canceled or modified without Lessor’s written consent unless equivalent replacement policies are issued with no lapse in coverage. All policies shall be obtained from insurance companies licensed to do business in the State of Arizona and possessing a rating of at least A – VII or higher from the A.M. Best Company, or an equivalent rating and approved by Lessor.

17.3 Certificates of Insurance. Lessee shall deliver to Lessor a certificate of insurance for each policy required herein to Lessor, in standard Acord or equivalent form, prior to the Effective Date and shall continue to provide such certificates throughout the Term of this Lease.

17.4 Additional Insurance. At any time during the Term of this Lease, Lessor may, if in its reasonable determination the insurance coverage required by this Section 17 is no longer adequate, require Lessee to increase its coverage to commercially reasonable amounts.

17.5 Blanket Insurance. Lessee’s insurance obligations under this Lease may be satisfied by means of “blanket” or excess policies.

17.6 Insurance by Lessor. In the event Lessee shall fail to procure any insurance required hereunder, Lessor may, upon written notice to Lessee, procure and maintain any or all of the insurance required of Lessee under this Section. In such event, all costs of such insurance procured and maintained by

Lessor on behalf of Lessee shall be the responsibility of Lessee and shall be fully reimbursed to Lessor within TEN (10) business days after Lessor advises Lessee of the cost thereof.

18. SURRENDER OF POSSESSION.

18.1 Condition of Property.

18.1.1 Upon the expiration or earlier termination of this Lease, Lessee's right to occupy the Premises and exercise the privileges and rights granted thereunder shall cease, and Lessee shall peaceably surrender the same and leave the Premises broom clean and in good condition except for normal wear and tear, casualty (subject to Lessee's obligation under Section 7.7) and condemnation. Lessee shall not be responsible for the removal or remediation of any Hazardous Material that was present on, under or near the Premises prior to occupancy, regardless of the date of discovery of such Hazardous Material, and shall not be responsible for returning the Premises in a better condition than existed on the Effective Date, except as expressly provided hereunder. All trade fixtures, equipment, and other personal property installed or placed by Lessee on the Premises which are not permanently affixed thereto shall remain the property of Lessee, and Lessee shall have the right at any time during the Term of this Lease, to remove the same from the Airport and Lessee shall repair, at its sole cost, any damage caused by such removal. Any property not removed by Lessee within FIFTEEN (15) calendar days of the expiration or earlier termination of this Lease, or revocation of Lessee's right to occupy the Premises, shall become a part of the Premises, and ownership thereof shall vest in Lessor. Lessee shall, however, remain financially liable to Lessor for the cost of repairs to the Premises incurred as a result of Lessor's removal and/or relocation of property formerly belonging to Lessee and not otherwise removed from the Premises, as provided herein, and shall remit to Lessor payment for such costs within TEN (10) business days of Lessee's receipt of Lessor's invoice therefor.

18.1.2 Any trade fixtures, equipment or other property affixed to the Premises by Lessee shall, if required in a written notice to Lessee from Lessor at the time of Lessor's approval of the same, be removed from the Premises by Lessee, at Lessee's expense, within FIFTEEN (15) business days after Lease termination. Should Lessee fail to remove such trade fixtures, equipment or other property within said time, Lessor may remove and dispose of such trade fixtures, equipment or other property at Lessee's expense, and Lessee shall reimburse Lessor for the costs thereof within TEN (10) business days of receipt of Lessor's invoice therefor.

18.2 Holding Over. Lessee shall not remain in possession of the Premises after the expiration or earlier termination of the Term without the express written consent of Lessor. Should Lessee hold over without the express written consent of Lessor, such tenancy shall be at the sufferance of Lessor and not a renewal of the Term. In such case, the Base Rent and all other charges due pursuant to this Lease shall be payable at ONE HUNDRED FIFTY PERCENT (150%) of the amount payable during the last year of the Term, and such tenancy at sufferance shall be subject to every other term, covenant and provision of this Lease. In the event Lessee holds over, Lessee shall be liable for all of Lessor's direct and consequential damages, which shall include, without limitation, costs, fees, expenses, damages and attorneys' fees incurred by Lessor as a result of Lessee's holding over, and damages and expenses incurred by Lessor for its inability to deliver possession of the Premises to a new lessee solely as a result of Lessee's holding over.

19. INSPECTION BY LESSOR.

[Language for lessees with secured, sensitive areas:]

Lessor acknowledges and agrees that (i) the Premises has been designated by Lessee as a sensitive information facility due to the highly confidential nature of the use thereof; and (ii) Lessee shall have the right from time to time to reasonably and in good faith designate all of the Improvements and other portions of the Premises as "Designated Secured Areas." Upon five (5) business days' advance written notice to

Lessee (herein, an “**Entry Request**”), and provided Lessor complies with the entry requirements established by Lessee from time to time and does not unreasonably interfere with Lessee’s use of the Premises, Lessee shall permit Lessor and its agents to enter upon the Premises (other than the Designated Secure Areas), subject to any safety, security, and/or confidentiality requirements of Lessee, for the purpose of inspecting the same (other than the Designated Secure Areas). In the case of an emergency in which Lessor is required under applicable law to immediately enter, no prior notice to Lessee is required, but Lessor shall nevertheless be subject to Lessee’s confidentiality requirements and agreement. Without limiting the generality of the foregoing, Lessee may implement (and from time to time modify) and Lessor and its agents, employees, contractors, guests and invitees shall comply with, commercially reasonable rules, systems and procedures for the security and safety of the Premises and its contents and Lessee’s employees, agents, guests and invitees, which systems and procedures may include, among other things, continuously monitored video surveillance, roving security guards/patrols, lobby attendants, security lighting, key-card systems, access gates, the right to escort Lessor and any third parties while the same are on the Premises, the right to prohibit photographs of any portion of the Premises designated by Lessee without Lessee’s prior written consent (which consent may be withheld in Lessee’s sole and absolute discretion); the right to require Lessor and/or any of Lessor’s designees to deliver to Lessee its then current commercially reasonable confidentiality/non-disclosure agreement prior to any entry onto the Premises; reasonable and good faith designation by Lessee of sensitive areas of the Premises that are wholly restricted from entry by Lessor, any of the Lessor’s employees, contractor’s, agents, guests and invitees or any of their designees except as otherwise expressly provided herein (the “**Designated Secure Areas**”); and the right to restrict access by any visitor whom Lessor intends to bring on the Premises who is a competitor, as determined by Lessee in its sole and absolute discretion (collectively, “**Lessee’s Security Systems**”). Lessor shall take reasonable steps to avoid interrupting or disrupting the conduct of business of Lessee on the Premises.

[Alternative language for lessees without secured, sensitive areas:]

Lessor may enter upon the Premises at reasonable times during Lessee’s normal business hours and upon at least TWO (2) business days’ prior written notice to Lessee (except in emergencies, in which event Lessor shall notify Lessee promptly following such emergency entry) for any reasonable purpose, including, but not limited to, compliance with the terms and conditions of this Lease and the exercise of its governmental functions for such activities as fire protection or security. Lessee may accompany Lessor on any Lessor inspections and entries. Lessor shall take reasonable steps to avoid interrupting or disrupting the conduct of business of Lessee on the Premises.

20. NOTICES.

20.1 All notices required or permitted under this Lease shall not be effective unless personally delivered or mailed by certified mail, return receipt requested, postage prepaid, or by reputable commercial overnight courier service, to the following addresses:

TO LESSOR: Phoenix-Mesa Gateway Airport Authority
Attn: Business Development Department
5835 South Sossaman Road
Mesa, Arizona 85212

TO LESSEE: <Lessee Name>
Attn.: <Contact Person Name, Title>
<Mailing Address>
<City>, <State> <Zip Code>

With a required copy to: <Name>
Attn.: <Contact Person Name, Title>

<Mailing Address>
<City>, <State> <Zip Code>

20.2 Any notice shall be deemed to have been received TWO (2) business days after the date of mailing, if given by certified mail, or upon actual receipt if personally delivered or if given by reputable commercial overnight courier service. Any Party may designate in writing a different address for notice purposes pursuant to this Section.

21. SEVERABILITY.

Should a court of competent jurisdiction declare any provision of this Lease invalid, the remaining terms shall remain effective.

22. SALES AND PROPERTY TAXES.

Lessee shall pay any leasehold tax, sales tax, personal property tax, transaction privilege tax, license or permit fee, or any other tax assessed as the result of its occupancy of Premises or conduct of any activity at the Airport under authority of this Lease, including any such tax assessable on Lessor as a result thereof. In the event that laws or judicial decisions result in the imposition of a real property tax or any other form of tax or imposition on the interest of Lessor, such tax shall also be paid by Lessee for the period this Lease is in effect, to the extent such taxes are reasonably attributable to the Premises or a portion thereof or the operation of Lessee's business.

23. APPROVALS, CONSENTS AND NOTICES.

All approvals, consents and notices called for in this Lease shall be in writing, signed by the appropriate Party, and may not be established solely by oral testimony.

24. LIENS AND MORTGAGES.

24.1 General Provisions.

24.1.1 Except as provided in this Section 24, Lessee shall not engage in any financing or other transaction creating any mortgage or deed of trust upon the Premises, place or suffer to be placed upon the Premises any lien or other encumbrance, or suffer any levy or attachment to be made on Lessee's interest in the Premises. Any such mortgage or deed of trust, encumbrance or lien shall be deemed a violation of this Section, constituting a failure by Lessee to comply with the terms of the Lease, on the date of its execution or filing of record regardless of whether or when it is foreclosed or otherwise enforced.

24.1.2 Notwithstanding anything to the contrary in Section 9 herein, Lessee shall, during the Term, be permitted to mortgage, collaterally assign, or otherwise encumber its leasehold interest (including any interest in the improvements) under this Lease pursuant to one or more Mortgages, as defined below, to secure indebtedness, including, without limitation, one or more loans to finance construction of improvements and other development on the Premises, and including refinancings thereof, subject to the restrictions of Section 24.1.4.

24.1.3 Any such encumbrance, including leasehold deed of trust, is referred to as a "Mortgage" and the holder thereof a "Mortgagee." The Mortgagee, upon taking possession or upon foreclosure or taking an assignment in lieu thereof, shall be liable for all future rents and obligations hereunder and shall attorn to Lessor. In no event shall any Mortgagee be responsible or liable for any claims against Lessee or any of Lessee's agents, employees, invitees, contractors or representatives for any death, injury, illness, damage to or loss of property (except only to the extent provided hereinafter with respect to a

default by Lessee under this Lease), or tort related claims. In no event shall any Mortgagee be liable for the actions or omissions of Lessee or Lessee's agents, representatives, employees, contractors, or invitees (except only to the extent provided hereinafter with respect to a default by Lessee under this Lease). The Mortgagee shall not be responsible or liable for any default by Lessee under this Lease, except, and only, to the extent that such default continues for a period of THIRTY (30) days (or such additional time as is reasonably necessary for Mortgagee to cure such default, so long as Mortgagee is diligently pursuing action to cure the default) after (i) Mortgagee shall have obtained possession through a court-appointed receiver or ownership of the Premises, (ii) the Mortgagee shall have received written notice of such default at the same time that Lessor notifies Lessee of such default, (iii) any notice or cure period related to such default as provided in this Lease and in Section 24.2 and Section 24.3 below shall have elapsed without such default having been cured, and (iv) such default is reasonably capable of being cured by the Mortgagee. No Mortgage shall encumber Lessor's interest in the Premises or Lessor's interest in the improvements thereon. Further and promptly after Lessee assigns or encumbers any portion of the Premises or the improvements thereon, Lessee shall furnish Lessor with a written notice setting forth the name and address of such Mortgagee or trustee.

24.1.4 No Mortgage or deed of trust shall extend to or affect the fee, the reversionary fee interest or the estate of Lessor in the Premises. No Mortgage or deed of trust shall be binding upon Lessor in the enforcement of its rights and remedies under this Lease and by law provided, unless and until a copy thereof shall have been delivered to Lessor and such Mortgage or deed of trust is authorized in accordance with provisions of this Section 24.

24.1.5 Notwithstanding anything to the contrary in this Article 24, Lessor shall have all rights and remedies under Article 11 with respect to any Event of Default that continues after expiration of all applicable notice and cure periods set forth in Section 11.1 and this Article 24.

24.2 Lessor Agreement. With respect to Mortgagees of the Premises, Lessor agrees that:

24.2.1 If requested by a Mortgagee which shall have duly registered in writing with Lessor its name and address, and if Lessor shall give any notice, demand, election or other communication required hereunder (hereafter, collectively, "Notices") to Lessee, Lessor shall concurrently give a copy of each such Notice to the Mortgagee at the address designated by it. Notices shall be sent by registered or certified mail, return receipt requested, and shall be deemed given seventy-two (72) hours after the time they are deposited in a United States Post Office with postage charges prepaid, addressed to the Mortgagee. No Notice given by Lessor to Lessee shall be binding upon or affect Lessee or the Mortgagee unless a copy of the Notice shall be given to the Mortgagee pursuant to this Section 24.2.1.

24.2.2 Such Mortgagee entitled to such Notices, as specified above, shall have any and all rights of Lessee with respect to the curing of any default hereunder by Lessee.

24.2.3 If Lessor shall elect to terminate this Lease by reason of any default by Lessee with respect to the Premises, the Mortgagee that shall have become entitled to Notice as provided in this Section 24.2 shall have any and all rights of Lessee with respect to curing of any default with respect to the Premises.

24.2.4 Nothing herein contained shall be deemed to impose any obligation on the part of Lessor to deliver physical possession of the Premises to such holder of a Mortgage. To the extent the physical possession of the Premises by a secured creditor is not inconsistent with the terms of this Lease, or is incompatible with the Lessor's selection of available remedies in the Event of Default, Lessor shall not prevent such physical possession.

24.2.5 If more than one Mortgagee shall seek to exercise any of the rights provided for in this Section 24, the holder of the Mortgage having priority of lien over the other Mortgagees shall be entitled,

as against the others, to exercise such rights. Should a dispute arise among Mortgagees regarding the priority of lien, the Mortgagees shall prove to the satisfaction of Lessor that they have settled that dispute.

24.3 Protection of Mortgagee(s). Until the time, if any, that an approved Mortgage shall be satisfied and released of record:

24.3.1 A Mortgagee shall have the right, for a period equal to the period afforded Lessee under this Lease to perform any term, covenant, or condition and to remedy any default by Lessee hereunder, plus such additional time that is reasonably needed for Mortgagee to exercise Lessee's rights to cure any defaults subject to the following: (a) if the default cannot be cured by Mortgagee, no additional time shall be allowed; (b) if the default can be cured by Mortgagee, such additional period of time shall not exceed SIX (6) months after Mortgagee's receipt of such Notice, unless a longer period of time is otherwise approved by Lessor in writing; (c) if curing the default requires that Mortgagee has possession through a court-appointed receiver or ownership of the Premises, Mortgagee shall be diligently pursuing action to take possession through a court-appointed receiver or ownership of the Premises; and (d) Mortgagee shall not be entitled to more than TEN (10) days of additional time to cure any defaults in the payment of Base Rent. Lessor shall accept such performance with the same force and effect as if furnished by Lessee, and the Mortgagee shall thereby and hereby be subrogated to the rights of Lessor. Such Mortgagee cure period shall begin on the later of: (i) the date Mortgagee receives notice pursuant to Section 24.2, or (ii) the date that Lessee's cure period expires under this Lease. During such Mortgagee cure period, Lessor will not terminate this Lease or disturb possession, interest or quiet enjoyment by the Lessee or Mortgagee in the Premises or improvements for any reason, subject to the terms of this Lease, until such Mortgagee cure period has expired. The Mortgagees and their respective designees shall have the right to enter upon the Premises to give such performance.

24.3.2 In case of an Event of Default by Lessee in the performance or observance of any non-monetary term, covenant or condition to be performed by it hereunder, if such Event of Default cannot practicably be cured by the Mortgagee without taking possession or ownership of the Premises, in such Mortgagee's reasonable opinion, or if such Event of Default is not susceptible of being cured by the Mortgagee, then:

(a) The Mortgagee shall proceed diligently to obtain possession through a court-appointed receiver or ownership of the Premises, and, upon obtaining such possession, shall proceed diligently to cure such defaults as are reasonably susceptible of cure (subject to any order by a court of competent jurisdiction staying or otherwise precluding such Mortgagee from obtaining such possession); or

(b) The Mortgagee shall institute foreclosure proceedings and diligently prosecute the same to completion (unless in the meantime it shall acquire Lessee's estate hereunder, either in its own name or through a nominee, by assignment in lieu of foreclosure), subject to any order by a court of competent jurisdiction staying or otherwise precluding such Mortgagee from obtaining such possession.

(c) The Mortgagee shall not be required to obtain possession or to continue in possession of the Premises pursuant to Section 24.3.2(a), or to continue to prosecute foreclosure proceedings pursuant to Section 24.3.2(b), if and when such Event of Default shall be cured.

(d) If any Mortgagee is prohibited from commencing or prosecuting foreclosure or other appropriate proceedings in the nature thereof by any process or injunction issued by any court, or by reason of any action by any court having jurisdiction of any bankruptcy or insolvency proceeding involving Lessee, the times for commencing or prosecuting foreclosure or other proceedings, including proceedings to obtain possession, shall be extended for the period of the prohibition.

24.4 New Lease

24.4.1 Lessor agrees that, in the event of early termination of this Lease for any reason (including but not limited to any default by Lessee), Lessor, if requested by any Mortgagee, will enter into a new lease of the Premises with the most senior Mortgagee requesting a new lease, which new lease shall commence as of the date of termination of this Lease and shall run for the remainder of the original Term of this Lease (plus any applicable Renewal Term if exercised), at the rent and upon the terms, covenants and conditions herein contained, provided that:

(a) Such Mortgagee shall make written request upon Lessor for the new lease within SIXTY (60) calendar days after the date such Mortgagee receives written notice from Lessor that this Lease has been terminated;

(b) Such Mortgagee shall pay to Lessor, at the time of the execution and delivery of the new lease, any and all Base Rent payments, finance charges and late fees which would, at that time, be due and unpaid pursuant to this Lease but for its termination, and in addition thereto all reasonable expenses, including reasonable attorneys' fees, which Lessor shall have incurred by reason of the preparation of such new lease;

(c) Such Mortgagee shall perform and observe all covenants in this Lease to be performed and observed by the lessee under such new lease from and after full execution and delivery of such new lease, and shall within a reasonable period of time (not to exceed the time frames set forth in Section 24.3.1 above) after full execution and delivery of such new lease remedy any other conditions which Lessee under the terminated Lease was obligated to perform under its terms and did not perform, to the extent the same are reasonably susceptible of being cured by the Mortgagee; and

(d) The lessee under the new lease shall have the same rights, including the right of occupancy to the buildings and improvements on the Premises and elsewhere on the Airport as Lessee had under this Lease immediately prior to its termination.

Notwithstanding anything to the contrary expressed or implied in this Lease, any new lease made pursuant to this Section 24 shall have the same priority as this Lease with respect to any mortgage, deed of trust, or other lien, charge, or encumbrance on the fee of the Premises, and any sublease under this Lease shall be a sublease under the new Lease and shall not be deemed to have been terminated by the termination of this Lease.

24.4.2 Nothing herein contained shall require any Mortgagee to enter into a new lease pursuant to this Section 24.4, or to cure any default of Lessee referred to above.

24.4.3 If any Mortgagee shall request a new lease as provided in this Section 24.4, Lessor agrees, at the request of, on behalf of and at the expense of the Mortgagee, to institute and pursue diligently to conclusion the appropriate legal remedy or remedies to oust or remove the original Lessee from the Premises, but not any authorized subtenants actually occupying the Premises or any part thereof.

24.4.4 Unless and until Lessor has received notice from each Mortgagee that the Mortgagee elects not to demand a new lease as provided herein, or until the period therefor has expired, Lessor shall not cancel or agree to the termination or surrender of any existing subleases nor enter into any new leases or subleases with respect to the Premises without the prior written consent of each Mortgagee.

24.5 Effect of Transfer. Neither the foreclosure of any Mortgage (whether by judicial proceedings or by virtue of any power of sale contained in the Mortgage), nor any conveyance of the leasehold estate created by this Lease by Lessee to any Mortgagee or its designee by an assignment or deed in lieu of foreclosure or other similar instrument, shall require the consent of Lessor or constitute a default or Event of Default under this Lease, and upon such foreclosure, sale or conveyance, Lessor shall recognize the

purchaser or other transferee in connection therewith as the Lessee under this Lease, subject only to an assumption in writing by such purchaser or transferee of all obligations of Lessee under this Lease from and after the date of such assumption.

25. GOVERNING LAW; ATTORNEY'S FEES.

The laws of the State of Arizona shall govern the matters set forth in this Lease. Venue of any action brought under this Lease shall, at the option of Lessor, lie in Maricopa County, Arizona.

26. RULES AND REGULATIONS.

Lessee shall at all times comply with all Federal, state and local laws, ordinances, rules, and regulations which are applicable to its activities on the Airport, the Premises itself (including but not limited to the *Americans with Disabilities Act*), or the operation, management, maintenance, or administration of the Airport, including all laws, ordinances, rules and regulations adopted after the Effective Date. Lessee shall at all times comply with the *Airport Minimum Standards* and *Airport Rules and Regulations*, as the same may be amended from time to time. Copies of the current *Airport Minimum Standards* and *Airport Rules and Regulations* are attached hereto as **Exhibit D**. Lessee acknowledges and agrees that Lessor may amend the *Airport Minimum Standards* and *Airport Rules and Regulations* at any time in Lessor's commercially reasonable discretion. Lessee shall, within a reasonable period of time, reasonably display to Lessor any permits or licenses required by law or other evidence of compliance with laws upon written request.

Lessor shall use commercially reasonable efforts to timely notify Lessee of any updates in the *Airport Rules and Regulations*, the *Airport Minimum Standards*, the *Aviation Fuel Storage, Dispensing and Handling Guidelines*, and the *Airport Fly Friendly Procedures*.

27. CORPORATE AUTHORIZATION.

In executing this Agreement, each of Lessor and Lessee represents and warrants to the other that if such Party is a corporation, or other legal entity, each Party has obtained and been granted the full right, power and authority to enter into this Lease.

28. UTILITY LINES AND SERVICE CHARGES.

28.1 Lessee shall, at no cost or expense to Lessor, provide or arrange for any public utility, water and sewage lines, connections and services that are needed in connection with any building(s), structure(s) or other improvement(s) placed on the Premises by Lessee, or required for Lessee's activities thereon, and shall be responsible for the maintenance of such lines and connections from where they enter the Premises. If requested to do so by Lessee from time to time during the Term, Lessor will grant reasonable easements and rights-of-way on or across the Airport for the development and use of the Premises (in accordance with this Lease), including, without limitation, to suppliers of public or private utility services for the purpose of supplying Lessee with such services, but Lessor reserves the right to reasonably designate the lands along which such easements and rights-of-way shall be granted so as to minimize the disruption of the operation of the Airport and other Airport tenants.

28.2 Lessee shall pay for all utilities, including trash collection, used in its operations at the Premises. The charges and method of payment for each utility or service shall be determined by the appropriate supplier of the utility or service in accordance with applicable laws and regulations, on such basis as the appropriate supplier of the utility or service may establish.

28.3 Notwithstanding the execution of this Lease, Lessor retains the right to the continued use of such utility lines and services as are presently on the Premises (so long as Lessor's use does not interfere with

or disrupt Lessee's use, occupancy, development and subleasing activities), and the right to repair the same when necessary in Lessor's reasonable discretion, including but not limited to, any utility easements on the Premises. Lessor agrees to coordinate any entries onto the Premises with Lessee. Lessor shall conduct such use and repairs in such a manner and at such times as to not interfere with Lessee's activities thereon.

29. RESERVATIONS TO LESSOR.

Subject to Lessor's representations, warranties and obligations, the Premises are accepted "as is, where is" by Lessee, subject to any and all existing easements or other encumbrances. In advance consultation with Lessee, Lessor reserves the right to grant reasonable easements, rights-of-way, and permits, over, on, or across any portions of the Premises for commercially reasonable purposes; provided, that Lessor and the grantee, as applicable, shall not exercise such rights so as to interfere with or disrupt Lessee's activities on the Premises, including the development of the Premises, to be determined in the reasonable judgment of Lessor and Lessee, and all such interference shall be minimized. Lessor shall provide Lessee reasonable notice of any plan to undertake the activities contemplated under this Section and shall coordinate with Lessee regarding the execution of such plans to minimize any interference with Lessee's or any subtenant's activities on the Premises, that all work shall be in compliance with all applicable laws, including Environmental Law, and that the surface of the Premises shall be restored to its original condition, including any necessary remediation in accordance with Environmental Law of any contamination associated with any Hazardous Material disturbed during any construction, at no cost to Lessee, upon the completion of any construction. Lessor agrees that any rights granted to any parties by reason of this clause shall contain provisions obligating such parties to at a minimum the same conditions applicable to Lessor under this Section 29, including but not limited to that the surface of the Premises and any Improvements shall be promptly restored to their original condition, at no cost to Lessee, promptly upon the completion of any construction.

30. FEDERAL AVIATION ADMINISTRATION (FAA) GRANT ASSURANCES.

30.1 Lessee agrees that in the event improvements are constructed, maintained, or otherwise operated on the Premises for a purpose for which a Department of Transportation (DOT) program or activity is intended, or for another purpose involving the providing of similar services or benefits, Lessee shall maintain and operate such facilities and services in compliance with all other requirements imposed pursuant to 49 CFR Part 21, *Nondiscrimination in Federally Assisted Programs of the Department of Transportation*, as it may be amended.

30.2 Lessee agrees that: (a) no person shall be excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination on the grounds of race, color, creed, disability, age, sex or national origin in the use of the Premises; (b) that in the construction of any improvements on, over, or under the Premises and the furnishing of services thereon, no person shall be excluded from participation in, denied the benefits of, or otherwise be subjected to discrimination on the grounds of race, color, or national origin; and (c) that Lessee shall use the Premises in compliance with all other requirements imposed by or pursuant to 49 CFR Part 21, as it may be amended.

30.3 Lessee assures Lessor that it will comply with pertinent statutes, Executive Orders, and rules promulgated to assure that no person shall, on the grounds of race, creed, color, national origin, or sex, age or handicap, be excluded from participating in any activity.

30.4 Lessor reserves the right to further develop or improve the landing area of the Airport as it sees fit, regardless of the desires or view of Lessee, and without interference or hindrance therefrom.

30.5 Lessor reserves the right, but shall not be obligated to Lessee, to maintain and keep in repair the landing area of the Airport and all publicly owned facilities of the Airport, together with the right to direct

and control all activities of Lessee in this regard. Lessor and Lessee agree that Lessee has no responsibility whatsoever with respect to maintenance and repair of the landing area of the Airport, or any publicly owned facilities of the Airport.

30.6 This Lease shall be subordinate to the provisions and requirements of any existing or future agreement between Lessor and the United States relative to the development, operation or maintenance of the Airport. Lessor agrees to reasonably consult with Lessee prior to executing or entering into any agreement that could reasonably be expected to have a material effect on the Premises, or on Lessee or its subtenants, or on any Permitted Uses, with the stated purpose of attempting in good faith to avoid any interference with, disruption of, or restriction or limitation on Lessee's intended use and development of the Premises in accordance with this Lease.

30.7 There is reserved unto Lessor, for the use and benefit of the public, a right of flight for the passage of aircraft in the airspace above the surface of the Premises, which shall include the right to cause in the airspace any noise inherent in the operation of aircraft, now known or hereafter used for navigation of or flight in or through the airspace, and for the use of such airspace for landing on, taking off from, or operation on the Airport.

30.8 Lessee agrees to comply with the notification and review requirements covered in 14 CFR Part 77 in the event future construction of a building is planned for the Premises or in the event of any planned modification or alteration of any present or future building or structure situated on the Premises.

30.9 Lessee shall not erect or permit the erection of any structure or building, nor permit the growth of any tree on the Premises, or any other obstruction that exceeds height requirements contained in 14 CFR Part 77 or amendments thereto, or interferes with the runway and/or taxiway "line of sight" of the control tower. In the event these covenants are breached, Lessor reserves the right to enter upon the Premises and to remove the offending structure or object at the expense of Lessee.

30.10 Lessee shall not make use of the Premises in any manner that might interfere with the landing and taking off of aircraft from the Airport or otherwise constitute a hazard. In the event this covenant is breached, Lessor reserves the right to enter upon the Premises and cause the abatement of such interference at the expense of Lessee.

30.11 Nothing contained in this Lease shall be construed to grant or authorize the granting of an exclusive right within the meaning 49 U.S.C. §§ 40103(e) and 47107(a)(4).

30.12 This Lease and all of the provisions hereof shall be subject to whatever right the United States Government now has, or in the future may have or acquire, affecting the control, operation, regulation and taking over of the Airport, or the exclusive or non-exclusive use of the Airport by the United States during the time of war or national emergency.

30.13 To the extent that Lessee conducts or engages in any aeronautical activity for furnishing services to the public at the Airport, Lessee shall furnish its services on a reasonable and not unjustly discriminatory basis to all users and charge reasonable and not unjustly discriminatory prices for each unit or service; except, however, that Lessee may be allowed to make reasonable and nondiscriminatory discounts, rebates, or other similar type of price reductions to volume purchasers.

30.14 Lessee shall conform to Lessor and FAA safety and security rules and regulations regarding use of the Airport air operations area including runways, taxiways, taxilanes and aircraft aprons by vehicles, employees, customers, visitors, etc., in order to prevent security breaches and avoid aircraft incursions and vehicle/pedestrian deviations; complete and pass an airfield safe driving instruction program when offered or

required by Lessor; and be subject to penalties as prescribed by Lessor for violations of Airport safety and security requirements.

31. TITLE VI

31.1 General Civil Rights. Lessee agrees to comply with pertinent statutes, Executive Orders and such rules as identified in Title VI List of Pertinent Nondiscrimination Acts and Authorities to ensure that no person shall, on the grounds of race, color, national origin (including limited English proficiency), creed, sex (including sexual orientation and gender identity), age or disability be excluded from participating in any activity conducted with or benefiting from Federal assistance. Lessee understands and acknowledges that the FAA requires inclusion of and adherence to the terms and conditions of Title VI of the Civil Rights Act of 1964 (78 Stat. 252, 42 U.S.C. §§2000d to 2000d-4) (“**Title VI**”) in all airport/aviation lease agreements where Lessor receives federal funding, including the Lease in this instance.

31.2 Title VI List of Pertinent Nondiscrimination Acts and Authorities. During the performance of this Lease, Lessee, for itself, its assignees, and successors in interest agrees to comply with the following non-discrimination statutes and authorities; including but not limited to the following (which Lessor is required to disclose and include in such Lease and other agreements, pursuant to FAA regulation):

- Title VI of the Civil Rights Act of 1964 (42 U.S.C. § 2000d *et seq.*, 78 Stat. 252) (prohibits discrimination on the basis of race, color, national origin);
- 49 CFR Part 21 (Non-discrimination In Federally-Assisted Programs of The Department of Transportation—Effectuation of Title VI of The Civil Rights Act of 1964);
- The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (42 U.S.C. § 4601) (prohibits unfair treatment of persons displaced or whose property has been acquired because of Federal or Federal-aid programs and projects);
- Section 504 of the Rehabilitation Act of 1973, (29 U.S.C. § 794 *et seq.*), as amended, (prohibits discrimination on the basis of disability); and 49 CFR part 27 (Nondiscrimination on the Basis of Disability in Programs or Activities Receiving Federal Financial Assistance);
- The Age Discrimination Act of 1975, as amended, (42 U.S.C. § 6101 *et seq.*) (prohibits discrimination on the basis of age);
- Airport and Airway Improvement Act of 1982, (49 U.S.C. § 47123), as amended (prohibits discrimination based on race, creed, color, national origin, or sex);
- The Civil Rights Restoration Act of 1987 (PL 100-209) (broadened the scope, coverage and applicability of Title VI of the Civil Rights Act of 1964, The Age Discrimination Act of 1975 and Section 504 of the Rehabilitation Act of 1973, by expanding the definition of the terms “programs or activities” to include all of the programs or activities of the Federal-aid recipients, sub-recipients and contractors, whether such programs or activities are Federally funded or not);
- Titles II and III of the Americans with Disabilities Act of 1990 (42 U.S.C. § 12101, *et seq.*) (prohibit discrimination on the basis of disability in the operation of public entities, public and private transportation systems, places of public accommodation, and certain testing entities) as implemented by Department of Transportation regulations at 49 CFR parts 37 and 38;

- The FAA's Non-discrimination statute (49 U.S.C. § 47123) (prohibits discrimination on the basis of race, color, national origin, and sex);
- Executive Order 12898, Federal Actions to Address Environmental Justice in Minority Populations and Low-Income Populations, which ensures non-discrimination against minority populations by discouraging programs, policies, and activities with disproportionately high and adverse human health or environmental effects on minority and low-income populations;
- Executive Order 13166, Improving Access to Services for Persons with Limited English Proficiency, and resulting agency guidance, national origin discrimination includes discrimination because of limited English proficiency (LEP). To ensure compliance with Title VI, you must take reasonable steps to ensure that LEP persons have meaningful access to your programs (70 Fed. Reg. at 74087 (2005)); and
- Title IX of the Education Amendments of 1972, as amended, which prohibits you from discriminating because of sex in education programs or activities (20 U.S.C. 1681 et seq.).

31.3 Compliance with Nondiscrimination Requirements. During the Term, Lessee, for itself, its assignees, and successors in interest agrees as follows:

31.3.1 Compliance with Regulations. Lessee will comply with the Title VI List of Pertinent Non-Discrimination Acts and Authorities, as they may be amended from time to time, which are herein incorporated by reference and made a part of this Lease.

31.3.2 Non-discrimination. Lessee, with regard to the work performed by it during Lease, will not discriminate on the grounds of race, color, national origin (including limited English proficiency), creed, sex (including sexual orientation and gender identity), age or disability in the selection and retention of subcontractors, including procurements of materials and leases of equipment. Lessee will not participate directly or indirectly in the discrimination prohibited by the Nondiscrimination Acts and Authorities, including employment practices when the contract covers any activity, project, or program set forth in Appendix B of 49 CFR Part 21.

31.3.3 Solicitations for Subcontracts, Including Procurements of Materials and Equipment. In all solicitations, either by competitive bidding, or negotiation made by Lessee for work to be performed under a subcontract, including procurements of materials, or leases of equipment, each potential subcontractor or supplier will be notified by Lessee of Lessee's obligations under this Lease and the Non-discrimination Acts And Authorities on the grounds of race, color, or national origin.

31.3.4 Information and Reports. Lessee will provide all information and reports required by the acts, the regulations and directives issued pursuant thereto and will permit access to its books, records, accounts, other sources of information, and its facilities as may be determined by Lessor or the FAA be pertinent to ascertain compliance with such Nondiscrimination Acts and Authorities and instructions. Where any information required of Lessee is in the exclusive possession of another who fails or refuses to furnish the information, Lessee will so certify to Lessor or the FAA as appropriate, and will set forth what efforts it has made to obtain the information.

31.3.5 Sanctions for Noncompliance. In the event of Lessee's noncompliance with the Nondiscrimination provisions of this Lease, Lessor will impose such default remedies as it or the FAA may determine to be appropriate, including, but not limited to:

- (a) withholding payments, if any, to Lessee under the Lease until Lessee complies; and/or

(b) cancelling, terminating, or suspending the Lease, in whole or in part.

31.3.6 Incorporation of Provisions. Lessee will include the provisions SUBSECTIONS 29.3.1 through 29.3.6 in every subcontract, including procurements of materials and leases of equipment, unless exempt by acts, the regulations and directives issued pursuant thereto. Lessee will take action with respect to any subcontract or procurement as Lessor or the FAA may direct as a means of enforcing such provisions including sanctions for noncompliance. Provided, that if Lessee becomes involved in, or is threatened with litigation by a subcontractor, or supplier because of such direction, Lessee may request Lessor to enter into any litigation to protect the interests of Lessor. In addition, Lessee may request the United States to enter into the litigation to protect the interests of the United States.

31.4 Real Property Acquired or Improved under the AIP Program. Lessee, for itself, its successors in interest and assigns, as a part of the consideration hereof, does hereby covenant and agree as a covenant running with the land, that:

31.4.1 In the event improvements are constructed, maintained, or otherwise operated on the Premises for a purpose for which a Department of Transportation (DOT) program or activity is intended, or for another purpose involving the providing of similar services or benefits, Lessee shall maintain and operate such facilities and services in compliance with all requirements imposed by the Nondiscrimination Acts and Regulations listed in the Title VI List of Pertinent Nondiscrimination Acts and Authorities (as may be amended) such that no person on the grounds of race, color, or national origin, will be excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination in the use of said facilities.

31.4.2 In the event of breach of any of the above Nondiscrimination covenants in this Lease, Lessor will have the right to terminate this Lease and to enter, re-enter, and repossess said lands and facilities thereon, and hold the same as if the Lease had never been made or issued. Landlord will give Lessee written notice and a reasonable opportunity to cure any violation of Section 31.4.1 before Landlord commences to exercises its rights pursuant to this Section. 31.4.2.

31.5 Use/Access to Real Property Acquired under the AIP Program.

31.5.1 Lessee for itself, and its successors in interest and assigns, as a part of the consideration hereof, does hereby covenant and agree as a covenant running with the land that (a) no person on the ground of race, color, or national origin, will be excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination in the use of said facilities, (b) that in the construction of any improvements on, over, or under such land, and the furnishing of services thereon, no person on the ground of race, color, or national origin, will be excluded from participation in, denied the benefits of, or otherwise be subjected to discrimination, and (c) that Lessee will use the Premises in compliance with all other requirements imposed by or pursuant to the List of Pertinent Non-Discrimination Acts and Authorities.

31.5.2 In the event of breach of any of the above non-discrimination covenants, Lessor will have the right to terminate this Lease and to enter or re-enter and repossess said land and the facilities thereon and hold the same as this Lease had never been made or issued. Landlord will give Lessee written notice and a reasonable opportunity to cure any violation of Section 31.5.1 before Landlord commences to exercises its rights pursuant to this Section. 31.5.2.

32. FEDERAL FAIR LABOR STANDARDS ACT

This Lease incorporates by reference the provisions of 29 CFR Part 201, the Federal Fair Labor Standards Act (FLSA), with the same force and effect as if given in full text. Lessee has full responsibility to monitor compliance to the referenced statute or regulation. Lessee must address any claims or disputes that arise from this requirement directly with the U.S. Department of Labor – Wage and Hour Division.

33. OCCUPATIONAL SAFETY AND HEALTH ACT OF 1970

This Lease incorporates by reference the provisions of 29 CFR Part 1910 with the same force and effect as if given in full text. Lessee must provide a work environment that is free from recognized hazards that may cause death or serious physical harm to the employee. Lessee retains full responsibility to monitor its compliance and their subcontractor's compliance with the applicable requirements of the Occupational Safety and Health Act of 1970 (20 CFR Part 1910). Lessee must address any claims or disputes that pertain to a referenced requirement directly with the U.S. Department of Labor – Occupational Safety and Health Administration.

34. INCORPORATION OF QUITCLAIM DEED.

Lessor owns the Airport pursuant to a Quitclaim Deed from the United States Government (“**Deed**”), a copy of which is available to Lessee upon request and is hereby incorporated in its entirety. To the extent the Deed has terms, conditions, obligations, requirements or restrictions that apply to this Lease, Lessor, Lessee or any matter in connection herewith, Lessee agrees to be bound by all the terms, covenants and conditions of the Deed, including the following:

34.1 That this Lease is subject to all terms and conditions of the Deed; and

34.2 That in case of any conflict between the Deed and this Lease, the Deed shall control.

35. REQUIRED PROVISIONS OF QUITCLAIM DEED.

35.1 Section VI (A)(5)(c) of the Deed requires that the following provisions be included in this Lease:

35.1.1 In furnishing services to the public, Lessee shall not discriminate against any person or class of persons by reason of race, color, creed, or national origin, and Lessee shall otherwise provide such services on a fair, equal, and not unjustly discriminatory basis to all users thereof.

35.1.2 Lessee shall charge fair, reasonable, and not unjustly discriminatory prices for each unit for service; except, however, that the Lessee may be allowed to make reasonable and nondiscriminatory discounts, rebates, or other similar types of price reductions to volume purchasers.

35.2 If the Premises are within any of the archaeological sites identified in Section VIII.A of the Deed, then, the provisions of Section VIII of the Deed shall be deemed incorporated in this Lease by this express reference to Section VIII of the Deed.

35.3 To the extent the Deed requires that other specific provisions thereof be inserted in this Lease by express reference to the Deed, this sentence shall constitute an express reference to all such applicable provisions of the Deed.

36. AIRPORT SECURITY.

36.1 Airport Security Plan.

36.1.1 Lessor's Operations Department maintains an approved Airport Security Plan (“**Security Plan**”) pursuant to 49 CFR Parts 1540 and 1542, and 14 CFR Part 139. Lessee shall at all times comply with Lessor's Operations Department security directives, security bulletins, or verbal notifications existing now or in the future.

36.1.2 Lessee is responsible for maintaining security practices, facilities, and perimeter boundaries on their leasehold that meet the security standards set forth by Lessor's Operations Department.

36.1.3 Lessee shall promptly upon written request from Lessor correct physical or procedural deficiencies caused by Lessee that are located on the Premises which are contrary to Lessor's Operations Department, security directives, security bulletins, or verbal notifications existing now or in the future. Within TWENTY-FOUR (24) hours of Lessor notifying Lessee of any deficiency, Lessor shall provide Lessee with a reasonably-detailed explanation of the deficiencies. Lessee shall be given a reasonable period of time (under the circumstances) to correct such deficiencies.

36.1.4 Lessee shall, to the fullest extent permitted by law, indemnify, defend and hold Lessor harmless for, from and against any security violation committed by any agents, employees, invitees, subcontractors, sub-lessees or independent contractors of Lessee.

36.1.5 Lessee shall conduct and document all self-audits and self-inspections as required by Transportation Security Administration ("TSA") or Lessor's Operations Department and make such audits available for inspection.

36.1.6 Lessee shall designate a primary security coordinator to receive security related briefings, bulletins and sensitive security information.

36.1.7 Lessor reserves the right to modify the Security Plan from time to time, as necessary or as directed by TSA. Lessor's Operations Department shall notify the Lessee security coordinator regarding modifications that effect Lessee.

36.2 Airport Security Badge.

36.2.1 Lessee's employees and contractors that require a badge shall be obligated to complete all training and comply with all security requirements and directives issued by Lessor's Operations Department, TSA or other entity having security jurisdiction at the Airport. Lessee, employees, and contractors will surrender security badges upon request by Lessor's Operations Department; physical security media (badges and keys) remain the property of Lessor. Within SEVENTY-TWO (72) hours of Lessor's confiscation of any security badges, Lessor shall provide Lessee with a reasonably-detailed explanation of the violations that caused Lessor to confiscate the security badges.

36.2.2 Lessee, employees and contractors shall comply with all security related audits, inspections, and screenings conducted by the Lessor's Operations Department.

36.2.3 Lessee will promptly return badges to the Lessor's badging office when badge holders employment is terminated, the badge is no longer needed or the employee/contractor is on extended leave.

36.2.4 Misuse of a badge or security procedures will bring about action, including, but not limited to, retraining, suspension or revocation of one or all misused badges.

37. DEFAULT BY LESSOR.

In the event of any alleged breach by Lessor of its covenants or duties contained in this Lease, Lessee shall have available all rights and remedies provided in contract, at law and/or in equity, provided, however, Lessee may not exercise any such right or remedy unless Lessee has notified Lessor by written notice of such alleged default, and Lessor has not cured such default within the THIRTY (30) calendar day period subsequent to receipt of such notice or, in the event such alleged default is of such a nature that it cannot reasonably be

cured within such THIRTY (30) calendar day period, Lessor has failed to pursue a cure of such alleged default with all due diligence. Notwithstanding anything to the contrary contained in this Lease, in no event shall Lessee be entitled to terminate this Lease or abate or offset any installment of Base Rent, or any other payments to be made by Lessee hereunder except as expressly permitted in this Lease.

38. BROKERS.

Lessor and Lessee each represents and warrants to the other Party that it has not had any dealings with any real estate brokers, finders or agents in connection with this Lease. Lessor and Lessee Each agrees to indemnify, defend (with counsel selected by the other) and hold the other Party and other Party's nominees, successors and assigns harmless from any and all claims, costs, commissions, fees or damages arising from a breach of such Party's representation and warranty in this Section.

[Alternative Section 38 language where broker(s) are involved:]

< > agrees to pay a brokerage commission to < > ("Broker") for services provided in connection with this Lease in accordance with the terms of a separate commission agreement between < > and Broker. Except as specifically identified in this Section, Lessor and Lessee each represents and warrants to the other Party that it has not had any dealings with any real estate brokers, finders or agents in connection with this Lease other than Broker. Lessor and Lessee Each agrees to indemnify, defend (with counsel selected by the other) and hold the other Party and other Party's nominees, successors and assigns harmless from any and all claims, costs, commissions, fees or damages arising from a breach of such Party's representation and warranty in this Section.

39. SALE BY LESSOR.

Lessee agrees to look solely to Lessor's interest in the Airport, including rents, issues, profits, proceeds, and awards for the recovery of any judgment against Lessor, it being agreed that the members, partners, officers, directors or shareholders of Lessor shall not be personally liable for any such judgment. In the event of any sale or other conveyance by Lessor of its interest in the Premises, Lessor shall be automatically freed and released from all personal liability accruing from and after the date of such sale or conveyance as respects the performance of any covenant or obligation on the part of Lessor contained in this Lease to be performed, it being intended hereby that the covenants and obligations contained in this Lease on the part of Lessor shall be binding on the Lessor and its successors and assigns only during and in respect to the respective successive periods of ownership of the Premises.

40. ESTOPPEL CERTIFICATE.

Each of Lessor and Lessee shall, without charge, at any time and from time to time hereafter, within TEN (10) business days after written request from the other Party to do so, certify, by written instrument duly executed and acknowledged by such Party and certified to the other Party and to any prospective lender or purchaser/assignee: (i) as to whether this Lease has been supplemented or amended, and if so, the substance and manner of such supplement or amendment; (ii) as to the existence of any default hereunder to the best of such Party's knowledge; (iii) as to the date on which Lessee was obligated to commence paying Base Rent and all other charges hereunder and the expiration date of the Term; (iv) as to whether this Lessee has assigned or transferred its interests or any portion thereof in this Lease; and (v) as to any other matters relating to this Lease and the Premises as may be reasonably requested. The requesting Party and any prospective purchaser or lender to whom the same was certified may rely upon any such certificate.

41. UNAVOIDABLE DELAY.

In the event either Party shall be delayed or hindered in or prevented from the performance of any

covenant, agreement, work, service, or other act required under this Lease to be performed by such Party (“**Required Act**”), and such delay or hindrance is due to Unavoidable Delay (as defined below), then the performance of such Required Act shall be excused for the period of delay and the time period for performance of the Required Act shall be extended by the same number of days in the period of Unavoidable Delay. For purposes of this Lease, “Unavoidable Delay” shall mean, with respect to either Party, an unavoidable delay in the performance by such Party of any non-monetary conditions or obligations under this Lease due including but not limited to: (a) construction delay to the extent caused by the other Party, (b) legal proceeding brought by a non-Party with respect to the Improvements or any provision or requirement of this Lease which by its nature prohibits the Improvements from being commenced, continued and/or completed, (c) a Party not receiving a governmental permit, license, approval or inspection in time to meet a contractual time period imposed hereunder provided that Party, in good faith, was diligent in the application or request for and prosecution of the process to obtain that permit, license, approval or inspection, (d) flood, (e) epidemic, (f) quarantine restriction, (g) unusually severe weather not reasonably anticipated, (h) strike, (i) walkout, (j) lock-out, (k) war, (l) national emergency, (m) fire, (n) act of God, (o) act of terrorism, (p) natural disaster, (q) explosion, (r) default by the other Party hereunder in the performance of its obligations hereunder, (s) a delay caused by the discovery, presences or actions necessary to investigate or remediate Hazardous Material under Article 14 (but excluding Hazardous Material attributable to the Party claiming Unavoidable Delay), or (t) other causes beyond such Party’s control; provided that no Unavoidable Delay shall exist unless the Party claiming such Unavoidable Delay shall give written notice to the other Party of the occurrence of the Unavoidable Delay not later than FORTY-FIVE (45) days after the commencement of such Unavoidable Delay.

42. MISCELLANEOUS.

42.1 Personal Liability. No member of or employee of either Party shall be charged personally or held contractually liable by or to the other Party under any term or provision of this Lease because of any breach thereof, or because of its execution or attempted execution.

42.2 No Waiver. No provision of this Lease may be waived or modified except by a writing signed by the Party against whom such waiver or modification is sought.

42.3 Non-Waiver of Rights. No waiver or default by Lessor or Lessee of any of the terms, conditions, covenants or agreements hereof to be performed, kept or observed by the other shall be construed or act as a waiver of any subsequent default of any of the terms, covenants, conditions or agreements herein contained to be performed, kept or observed by such other Party, and neither Party shall be restricted from later enforcing any of the terms and conditions of this Lease.

42.4 Amendment. This Lease contains all agreements of the Parties as of the date hereof with respect to any matter mentioned herein. No prior agreement, correspondence, or understanding pertaining to any such matter shall be effective to interpret or modify the terms hereof. Oral commitments or promises are not enforceable and shall not be binding or made part of this Lease. Any revisions or modifications to this Lease must be in writing and mutually accepted by persons with full and complete authority to bind the party.

42.5 Invalid Provisions. Should any provision of this Lease or any application thereof be held invalid by a court of competent jurisdiction, the remainder of this Lease shall not be affected thereby, unless one or both Parties would be substantially and materially prejudiced.

42.6 Litigation Expenses. In the event of litigation between Lessor and Lessee, the prevailing Party shall be entitled to recover its reasonable attorneys’ fees and all costs and expenses of litigation, including witness fees, expert witness fees, and court costs.

42.7 Headings. The headings contained herein are for convenience in reference only and are not intended to define or limit the scope of this Lease or any term thereof.

42.8 Entire Agreement. This Lease, including exhibits attached hereto at the time of its execution, constitutes the entire agreement between the Parties hereto and supersedes all prior negotiations, understandings and agreements between the Parties concerning such matters.

42.9 Right of First Offer. Provided there is no existing Event of Default, Lessee shall have a right of first offer to lease the Premises and all Improvements thereon following the expiration of the Term (or Renewal Term, as applicable) in accordance with this Section. If Lessee is interested in leasing the Premises and all Vertical Improvements thereon at fair market rental rate following expiration of the Term (or Renewal Term, as applicable), Lessee shall provide written notice (“**Notice of Interest**”) to Lessor of its interest not less than ONE (1) year prior the expiration of the Term (or Renewal Term, as applicable). Lessor shall advise Lessee within THIRTY (30) days after Lessor’s receipt of the Notice of Interest if Lessor does not intend to lease (or market for lease) the Premises following expiration of the Term (or Renewal Term, as applicable). If Lessor intends to lease (or market for lease) the Premises, the Parties shall negotiate in good faith to agree on lease terms and conditions, including the fair market rental rate of the Premises and all Improvements thereon. If the Parties have not reached an agreement on the material terms of a lease (other than the fair market rental rate) within NINETY (90) days after Lessor’s receipt of the Notice of Interest, neither party shall have any further right or obligation under this Section 42.9. If the Parties have reached an agreement on all material terms of a lease other than the fair market base rental rate within NINETY (90) days of Lessor’s receipt of the Notice of Interest, then the Parties shall, within TEN (10) calendar days after the expiration of such NINETY (90)-day period, proceed to determine the fair market base rental rate with the appraisal process as set forth in Section 4.3.2. Upon determining the fair market base rental rate for the Premises, Lessor and Lessee shall promptly enter into a lease.

42.10 Memorandum of Lease. As of the Effective Date, or thereafter upon request from Lessee to Lessor, Lessor and Lessee agree to execute, acknowledge and deliver to one another a short form memorandum of lease for recording purposes in form and substance attached hereto as **Exhibit F**. In the event that such a memorandum of lease has been recorded, upon termination or expiration of this Lease, Lessee shall promptly execute such documents as reasonably requested by Lessor in recordable form to confirm the termination of this Lease.

42.11 Non-Disturbance. In the event that Lessor encumbers or liens any portion of the Premises, now or in the future, Lessor agrees to promptly (and in any event prior to the Effective Date in the event the Airport is encumbered as of such date) obtain for the benefit of Lessee and its leasehold lenders a commercially reasonable non-disturbance agreement (in form reasonably acceptable to Lessor, Lessee and Lessor’s lenders) (an “**NDA**”) stating that, among other provisions to be included in the NDA, provided no Event of Default has occurred and is continuing under this Lease, then this Lease shall not be terminated and the right of possession of Lessee to the Premises shall not be affected or disturbed in the exercise of any of its rights or remedies under such encumbrance or lien.

43. INCORPORATION OF RECITALS.

The recitals set forth herein are acknowledged by the Parties to be true and correct and are incorporated herein by this reference.

44. DECLARATION.

44.1 Subordination. The Premises is subject to and subordinate to that certain Declaration of Covenants, Conditions and Restrictions for Skybridge Arizona, dated July 31, 2019, recorded in the Official Records of Maricopa County, Arizona, as Instrument No. 20190580736 (“**Declaration**”). Lessee hereby

agrees to fulfill and comply with its duties and obligations as a "Lessee" as defined under the Declaration, as such duties and obligations relate to the Premises.

44.2 Assessments and other Obligations. Lessee shall pay its "Proportionate Share" of "Common Area Assessments" in accordance with the Declaration. Such payment obligation shall constitute "additional rent" under this Lease. Lessee shall fulfill any other obligations it may have as a "Lessee" in accordance with the Declaration, as such other obligations relate to the Premises.

IN WITNESS WHEREOF, the Parties have executed this Lease as of the Effective Date.

LESSOR:

PHOENIX-MESA GATEWAY AIRPORT AUTHORITY, an Arizona joint powers airport authority

By:
J. Brian O'Neill, A.A.E.
Executive Director/CEO

STATE OF ARIZONA)
) ss.
County of Maricopa)

ACKNOWLEDGED before me this ___ day of _____, 20___, by J. Brian O'Neill, in his capacity as the Executive Director/CEO of the Phoenix-Mesa Gateway Airport Authority.

Notary Public

My Commission Expires:

LESSEE:

<TENANT NAME>, a/an <State> <company type>

By:
<Signatory Name>, <Title>

STATE OF _____)
) ss.
County of _____)

ACKNOWLEDGED before me this ___ day of _____, 20___, by <Signatory Name>, in his capacity as <Title>, <Company Name>, a/an <State> <type of company>, for and on behalf of said <type of company>.

Notary Public

My Commission Expires:

Exhibit A

DEPICTION OF THE PREMISES

Exhibit B

AIRPORT RATES & CHARGES SCHEDULE

(Attached)

Exhibit CAIRCRAFT OPERATIONS GUIDELINES

C1. Use of Airport. Lessee, Lessee's assigns, sublessees, or transferees who operate aircraft at the Airport and who are engaged in a private, government, or commercial aeronautical business or service and desire to use the Airport landing facilities for certain types of operations including, but not limited to: 1) taxiing and maneuvering on Airport runways, taxiways, ramps and aprons; 2) landings and approaches ("touch and go", "stop and go"); and 3) low approaches shall be subject to the provisions of this **Exhibit C**.

C2. Fees. As appropriate, Lessee shall pay Lessor fees as outlined below:

C2.1 Landing Fee: Lessee shall pay a landing fee at a rate equal to the amount reflected on the most current *Airport Rates and Charges Schedule* at the time of the aircraft operation, for each flight subject to a landing fee operated by or in conjunction with Lessee. The weight of any particular aircraft shall be its maximum certificated gross landing weight ("MGLW"). The amount owed to Lessor for each chargeable aircraft landing for each preceding calendar month shall be due and payable no later than the TWENTIETH (20th) day of the month succeeding the calendar month in which said aircraft landings took place. Lessee's written listing of all aircraft landings subject to such fee shall accompany said payment. Each entry in such listing shall include the date of the landing, the aircraft registration number, the type and model aircraft, the aircraft MGLW and the amount of the fee due.

C2.2 Aircraft Ramp Space. Lessee shall pay Lessor monthly, an aircraft-parking fee in an amount equal to that specified in the most current Airport Rates and Charges Schedule at the time of use, for each overnight aircraft parking position used by Lessee that is situated on Airport ramp outside the Premises. Such fees, if any, shall be payable to Lessor no later than the TWENTIETH (20th) day of the month following that in which Lessee occupied or used such space, and such payment shall be accompanied by a written listing of the aircraft (including registration number, make and model), dates and times of usage.

C2.3 Other Space. When available and specifically assigned to Lessee, Lessee shall pay Lessor monthly, in advance, a fee established in the *Airport Rates and Charges Schedule* for Lessee's non-exclusive use of other space not situated on or part of the Premises.

C2.4 Additional Space/Services. In the event that Lessee requires space or special services such as, but not limited to, aircraft line services, out-of-station ARFF standby, operations safety officers, ground service equipment, or fuel spills response teams, Lessee shall pay Lessor's standard fees for such services at the time the service is rendered, unless a secured account or agreement is established prior to requesting additional services.

C3. Books and Records. Lessee shall maintain for not less than THIRTY-SIX (36) months books, records and ledgers accurately reflecting the total number of monthly Aircraft landings for each aircraft subject to a landing fee and any other aforementioned fee indicating the make, type (including model designation), registration, maximum certificated gross landing weight, and arrival and departure time of each aircraft involved. These records or copies thereof shall be made available to Lessor upon Lessor's written request. In addition to monthly payment as set forth in Section C2 herein and together therewith, Lessee shall provide Lessor with a written report, indicating all aircraft operations and related information for the preceding calendar month.

C4. Disabled or Abandoned Aircraft. Should any aircraft owned or operated by Lessee through accident or for any other reason, become disabled or be abandoned in any area which could interfere with the continuous, normal operations of any of the runways, taxiways and airfield facilities at the Airport, Lessee shall:

C4.1 Immediately remove said aircraft to such location as may be designated by Lessor, unless such aircraft is required to remain in place pending investigation by the appropriate regulatory agency or agencies of the federal government; and

C4.2 In the event of any accident where federal investigation in place is required, promptly upon receiving clearance to do so from the appropriate federal agency, remove said aircraft and any wreckage or debris resulting therefrom to the area(s) designated by said federal agency authorizing such removal; otherwise, such aircraft wreckage and debris shall be immediately removed from the Airport or stored at a location approved by Lessor.

C4.3 Should Lessee fail to proceed immediately to remove disabled aircraft, or should aircraft owned or operated by Lessee be abandoned on the Airport, Lessor shall have the right to remove such aircraft by any means Lessor deems necessary under the circumstances, and Lessee shall indemnify, defend, keep and hold Lessor, its members, board of directors, officers, agents, officials, servants, employees and contractors harmless from and against any and all claims, costs, loss, liability, actions, suits, proceedings, damage or expense (including costs of suit and attorneys' fees and expenses) incurred by Lessor by reason of removal of said aircraft, injury to persons or property or damages to such aircraft caused by such removal, as well as storage costs therefor. Lessee shall reimburse Lessor for any costs incurred by Lessor in removing and storing any aircraft, any property damage to the Airport caused by such aircraft or removal within TEN (10) business days of demand therefor.

C5. Aviation Fuel. Lessee, at Lessee's sole cost and expense, shall procure aviation fuel delivered to its aircraft on the Airport. If fueling or defueling aircraft owned or operated by Lessee, or under Lessee's direct control, Lessee shall comply fully with Lessor's *Aviation Fuel Storage, Dispensing and Handling Guidelines*.

C6. Fly Friendly Procedures. Lessee acknowledges receipt of Lessor's Fly Friendly noise abatement procedures, and shall provide such information to flight crews, post the information in the Lessee's flight planning area, and use the procedures to the extent possible, when consistent with safety and Air Traffic Control directives.

EXHIBIT D

AIRPORT MINIMUM STANDARDS
&
AIRPORT RULES AND REGULATIONS

(Attached)

EXHIBIT EPROHIBITED USES

1. Outdoor activities or entertainment accessory to a day care center or a wedding or reception center
2. Any residential development including but not limited to a dwelling unit in conjunction with a primary use intended for occupancy by the proprietor, caretaker or night-watchman of the primary use; a Multiple residence development including apartments, condominiums, and townhouses; and single-family residential development.
3. Crematories
4. Construction yards
5. Wedding and reception centers
6. Fraternal organizations, service and social clubs, lodges, fraternities and sororities.
7. Nursing and convalescent homes, philanthropic and charitable institutions, residential and out-patient care and rehabilitation centers, hospices
8. Hospitals
9. Mortuaries
10. Self Storage
11. Outdoor display areas for the sale and rental of items characteristically not enclosed in a building, limited to the following:
 - a. Plant nurseries
 - b. Building materials such as lumber and masonry supplies
12. Amusement enterprises, such as miniature golf courses, water slides, driving ranges. Batting cages, and similar outdoor uses, but indoor facilities for such uses shall be permitted
13. Commercial automobile, recreational vehicle, and similar vehicular parking and storage lots and garages, as a primary use
14. Plasma centers, charity dining services, homeless shelters, day labor hiring centers, substance abuse detoxification and treatment centers, rescue missions, and similar social service uses
15. Pawn shops and tattoo parlors
16. Assisted living facilities
17. Car washes
18. Automobile service stations with or without accessory auto repair facilities
19. Swap meets, farmer's markets, and similar outdoor sales operations
20. Auto towing and impound yards
21. Animal hospitals, clinics, and boarding kennels
22. Churches

EXHIBIT F

WHEN RECORDED,
RETURN TO:

Kevin Morris
Greenberg Traurig, LLP
2375 East Camelback Road, Suite 700
Phoenix, Arizona 85016

MEMORANDUM OF LEASE

This MEMORANDUM OF LEASE (“Memorandum”), is made and executed as of the ____ day of _____, 20____ (the “Effective Date”), by and between **PHOENIX-MESA GATEWAY AIRPORT AUTHORITY**, a joint powers airport authority authorized and existing under the laws of the State of Arizona (“**Landlord**”), whose mailing address is Phoenix-Mesa Gateway Airport Authority, Attn: Business Development Department, 5835 South Sossaman Road, Mesa, Arizona 85212, and _____ (“**Tenant**”), whose mailing address is _____.

RECITALS:

A. Landlord and Tenant entered into that certain Development Lease dated _____, 20____ (the “Lease”), covering that certain real property legally described on Exhibit A attached hereto and incorporated herein by this reference (the “Leased Premises”).

B. Landlord and Tenant have agreed to enter into this Memorandum for the purposes of providing record notice of the Lease, and to protect the rights and interests of Landlord and Tenant as to third parties. All capitalized terms not specifically defined herein shall have the meaning ascribed to such terms in the Lease.

NOW, THEREFORE, for and in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant hereby agree as follows:

1. Lease and Premises. Subject to the covenants and conditions contained in the Lease, Landlord has leased to Tenant, and Tenant has leased from Landlord, the Leased Premises. Notice to the world is hereby given of the Lease and of the terms of the Lease.

2. Term. The term of the Lease commenced on _____, 20__, and expires on _____, unless earlier terminated pursuant to the terms of the Lease. [Additional language for a Development Lease of a non-aeronautical Development Parcel where Landlord and Tenant have agreed to a Renewal Term:] Subject to the terms of the Lease, Tenant has the right and option extend the term of the Lease for a period of FIFTEEN (15) years, in accordance with the terms of the Lease.

3. Conflict. This Memorandum is prepared for the purpose of constructive notice and in no way modifies the provisions of the Lease. In the event of any conflict or any inconsistency between the terms and provisions of the Lease and the terms and provisions of this Memorandum, the terms and provisions of the Lease shall control.

4. Successors and Assigns. This Memorandum shall be binding upon and inure to the benefit of the parties and their permitted successors and assigns.

5. Counterparts. This Memorandum may be executed in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same document, provided that all parties are furnished a copy thereof reflecting the signature of all parties.

(Signatures appear on the following page.)

IN WITNESS WHEREOF, the parties hereto have duly executed this Memorandum as of the Effective Date set forth above.

LANDLORD:

**PHOENIX-MESA GATEWAY AIRPORT
AUTHORITY**, an Arizona joint powers airport
authority

By:

J. Brian O’Neill, A.A.E.
Executive Director/CEO

STATE OF ARIZONA)
) ss.
County of Maricopa)

ACKNOWLEDGED before me this ___ day of _____, 20__, by J. Brian O’Neill, in his capacity as the Executive Director/CEO of the Phoenix-Mesa Gateway Airport Authority.

Notary Public

My Commission Expires:

EXHIBIT A

LEGAL DESCRIPTION

[TO COME]



Phoenix-Mesa Gateway Airport Authority
5835 S Sossaman Road
Mesa, Arizona 85212-6014
www.gatewayairport.com

Management Information Report

To: Board of Directors
From: Chuck Odom, Chief Financial Officer
Through: J. Brian O'Neill, A.A.E., Executive Director/CEO
Re: August 2024 Financials
Date: October 15, 2024

Attached is the monthly Financials Report for August 2024.

Phoenix-Mesa Gateway Airport Authority

AIRPORT - All Operations P&L

August, 2024

	Month of August 2024				Y-T-D as of August 2024			
	August FY24 Actual	August FY25 Actual	YOY Variance	B/(W)	YTD FY24 Actual	YTD FY25 Actual	Y-T-D Variance	B/(W)
Aeronautical Operating Revenues								
Aircraft Parking	26,812	41,966	15,154	57%	51,917	76,215	24,298	47%
Fuel Flowage Fees	56,744	44,264	(12,480)	-22%	123,225	102,123	(21,102)	-17%
Landing Fees	177,062	110,654	(66,408)	-38%	278,328	270,077	(8,251)	-3%
Lease Income Aero	318,655	319,257	602	0%	755,050	759,520	4,470	1%
Fuel Sales	542,495	648,742	106,247	20%	1,002,607	1,360,744	358,137	36%
Services Sold - Aero	455,818	339,993	(115,825)	-25%	1,117,290	885,623	(231,667)	-21%
Sub-total Aero Operating Revenues	1,577,586	1,504,876	(72,710)	-5%	3,328,417	3,454,302	125,886	4%
Non-Aeronautical Operating Revenues								
Concessions	91,603	93,457	1,854	2%	198,662	230,035	31,373	16%
Lease Income Non-Aero	108,377	114,152	5,775	5%	232,222	223,725	(8,497)	-4%
Parking	460,086	464,655	4,569	1%	1,056,223	1,147,725	91,502	9%
Rental Car Fees	126,187	157,833	31,646	25%	252,192	323,254	71,062	28%
Svcs Sold - Non Aero	21,131	14,531	(6,600)	-31%	22,876	20,706	(2,170)	-9%
Sub-total Non-Aero Operating Revenues	807,384	844,628	37,244	5%	1,762,175	1,945,445	183,269	10%
Total Operating Revenues	2,384,970	2,349,504	(35,466)	-1%	5,090,592	5,399,747	309,155	6%
Operating Expenses								
Cost of Goods Sold	360,719	424,152	(63,433)	-18%	653,980	869,548	(215,568)	-33%
Personnel	811,072	819,482	(8,410)	-1%	1,600,777	1,685,487	(84,710)	-5%
Comm & Utilities	138,695	128,581	10,114	7%	236,086	264,260	(28,174)	-12%
Contractual Services	581,215	606,676	(25,461)	-4%	1,112,490	1,196,079	(83,589)	-8%
Insurance	33,512	59,569	(26,057)	-78%	96,473	116,964	(20,491)	-21%
Other	15,723	24,671	(8,948)	-57%	48,890	60,136	(11,246)	-23%
Repair & Maintenance	39,917	45,694	(5,777)	-14%	91,332	79,948	11,384	12%
Supplies & Materials	68,722	68,101	621	1%	135,217	143,888	(8,672)	-6%
Air Service Incentives [2,000,000]	-	-	-	0%	-	-	-	0%
Operating Contingency [3,042,018]	-	-	-	0%	-	-	-	0%
Total Operating Expenses	2,049,575	2,176,926	(127,353)	-6%	3,975,245	4,416,310	(441,065)	-11%
Operating Income (Loss) Before Depreciation	335,395	172,578	(162,819)	-49%	1,115,347	983,437	(131,910)	-12%
	14.1%	7.3%			21.9%	18.2%		

Depreciation

1,349,004

2,703,473



Phoenix-Mesa Gateway Airport Authority
5835 S Sossaman Road
Mesa, Arizona 85212-6014
www.gatewayairport.com

Management Information Report

To: Board of Directors
From: Chuck Odom, Chief Financial Officer
Through: J. Brian O’Neill, A.A.E., Executive Director/CEO
Re: Solicitation Notification
Date: October 15, 2024

This report is to provide notification of the active and upcoming solicitations to help ensure compliance with the Phoenix-Mesa Gateway Airport Authority procurement transparency clause. The active activities include the following:

Active/Pending Solicitations

Type Solicitation	Number	Title	Anticipated Contract Award (Board Action)
Request for Qualifications	2025-001-RFQ	CMAR for In-Line Baggage Improvements	October 2024
Request for Proposals	2025-002-RFP	7,000 Gallon Aircraft Refueler	October 2024
Request for Qualifications	2025-003-RFQ	South Apron Aeronautical Redevelopment	March 2025

Future Solicitations

Type Solicitation	Number	Title	Scheduled for Release	Anticipated Contract Award (Board Action)
Request for Proposals	2025-004-RFP	Airport Website Redesign	January 2025	April 2025

Equipment Disposals

Fiscal year totals from sales of decommissioned / nonworking equipment total \$21,172.00

If you have any questions about the solicitations or the procurement process, please feel free to contract me at 480-988-7613.