



RESOLUTION NO. 27279

WHEREAS, on recommendation of Management, there was presented for approval, Fiscal Year 2022 Passenger Terminal Rates and Charges, Attachments A-C hereto and made part hereof, for Los Angeles International Airport, for the period beginning July 1, 2021 through June 30, 2022, for [i] the Los Angeles International Airport Passenger Terminal Tariff, as amended, [ii] agreements for use of passenger terminal space and equipment using the Tariff rates and charges methodology, and [iii] the Further Amended and Restated Rate Agreement; and

LAX

Van Nuys

City of Los Angeles

Eric Garcetti
Mayor

Board of Airport
Commissioners

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Justin Erbacci
Chief Executive Officer

WHEREAS, the COVID-19 pandemic negatively impacted both the airport and airline operations. Airports have been acutely impacted by the reductions in passenger volumes and flights, as well as by the broader economic shutdown. The pandemic had an adverse effect on domestic and international travel and travel-related industries, including airlines and concessionaires. Also, the decline in passenger traffic caused all “activity-based” rates and charges (e.g., landing fees, common use charges, federal inspection services rate, among others) to increase significantly; and

WHEREAS, Los Angeles World Airports (LAWA) staff is implementing the “Airline Cost Stabilization and Recovery Plan” aimed at managing rates and charges at Los Angeles International Airport (LAX) through Fiscal Year 2023, to [1] make LAX rates and charges more competitive; [2] mitigate the increase in rates and charges for airlines due to reduced activity; [3] harmonize common use costs across the airport; and [4] achieve stability in LAX financial operations; and

WHEREAS, as part of said plan, LAWA has completed taking over the operations and maintenance and rate-setting responsibilities for the common use facilities from Tom Bradley International Terminal Equipment Company (TBITEC), an airline consortium. There are several actions that are now required in order to complete the rate stabilization and harmonization efforts and establish Fiscal Year 2021-2022 rates: [1] amend the methodology for establishing rates and charges for use of terminal facilities and equipment (Amended Rate Methodology); [2] amend and restate the Amended and Restated Rate Agreement (Further Amended and Restated Rate Agreement); [3] revise terminal rates and charges to include costs previously collected by the consortium and cost reduction and deferral measures per the Airline Cost Stabilization and Recovery Plan; [4] revise landing and apron fees to include cost deferrals, per the Airline Cost Stabilization and Recovery Plan; and

WHEREAS, in accordance with the LAX Passenger Terminal Tariff (Tariff), as amended by the Rate Methodology, rates and charges for use of passenger terminal space and equipment at LAX are set each fiscal year. The rates and charges are set pursuant to the rate-setting methodology outlined in the Tariff, which is based on the recovery of capital investments and actual incurred and accrued expenses associated with operations and maintenance of Terminals 1 through 8, the Tom Bradley International Terminal (TBIT) and other passenger terminal-related areas. The Further Amended and Restated Rate Agreement modifies the Tariff rates and charges established each fiscal year for airlines that are signatories to the Rate Agreement; and

WHEREAS, under the Airline Cost Stabilization and Recovery Plan, LAWA will continue to reduce the amount of certain rates and charges from what the airlines would otherwise have to pay to LAWA for the period starting July 1, 2021 through June 30, 2022. The reductions are based on the Amended Rate Methodology; and



WHEREAS, the reductions are possible through use of the federal relief grants that were awarded to LAWA and deferral of certain debt service and capital costs, such that LAWA's near-term costs are reduced, which allows airline rates and charges to be reduced. To lower LAWA's costs and airline rates and charges:

- Use of Federal Relief Grants

About \$6.7 million of grant funding is being applied to reduce operating expenses related to the use of common-use holdroom facilities, and about \$20 million is used to reduce costs related to the common-use baggage rates for Fiscal Year 2022.

- Debt Restructuring

Approximately \$111 million of debt, interest and principal are proposed to be restructured and recovered in later years to reduce the Fiscal Year 2022 debt service. This cost deferral is included in the calculations of the terminal rates and charges.

- TBITEC Common Use Services

The Amended Rate Methodology will allow LAWA to include additional costs assumed as part of the TBITEC transition in the common use rates in Fiscal Year 2022. Prior to the transition, those costs were recovered by the airline consortium directly from the airlines; and

WHEREAS, the rates and charges are based on the Amended Rate Methodology for the [i] Tariff and Agreements using the Tariff Rates and Charges Methodology, and [II] Rate Agreement:

[i] Rates and Charges for the Tariff and Agreements using the Tariff methodology

The rates and charges (Attachment A-C, as attached hereto and made part hereof) are for use of demised and common use passenger terminal space and equipment at LAX. They shall be applicable to terminal users subject to the Tariff, and to agreements that use the Tariff rates and charges terms and/or methodology. The Amended Rate Methodology will include the following types of rates and charges, including the revised equalized common use rates, applicable to use of all LAWA common use facilities and equipment:

- Terminal Buildings Rate – to recover capital costs, operations and maintenance (O&M) costs and reserve deposits (if any) allocable to the terminals;
- Federal Inspection Services (FIS) Fee – to recover capital costs, O&M costs and reserve deposits (if any) allocable to the FIS facilities;
- Common Use Holdroom Rate – to recover estimated holdroom requirement, which is the product of the Terminal Buildings Rate and the total square footage of all Common Use Holdrooms in the Terminals;
- Common Use Baggage Claim Rate – to recover estimated baggage claim requirement, which is the total of the sum of O&M expenses associated with the common use baggage systems, and the product of the Terminal Buildings Rate and the total square footage of all Common Use Baggage Claim Areas in the Terminals;
- Common Use Outbound Baggage System Rate – to recover estimated outbound baggage system requirement, which is the total of the sum of O&M expenses associated with the common use outbound baggage systems, and the product of the Terminal Buildings Rate and the total square footage of all Common Use Outbound Baggage System Areas in the Terminals;

- Common Use Ticket Counter Rate – to recover estimated common-use ticket counter requirement, which is the product of the Terminal Buildings Rate and the total square footage of the Common Use Ticket Counter space in the terminals;
- Terminal Special Charges – to recover charges for certain equipment and services that LAWA provides in certain terminals. These include charges for:
 - Custodial Services
 - Terminal Airline Support Systems
 - Loading Bridge Capital and Maintenance

The calculated Tariff Terminal Buildings Rate, based on the Amended Rate Methodology, is \$231.76 per square foot per year (psfpy), 1.9% lower than the previous rate of \$236.34 psfpy. The rate reduction is achieved through use of the federal relief grants that were awarded to LAWA and deferral of certain debt service and capital costs.

The FIS Fee, pursuant to the Tariff, is \$17.79 per deplaned international passenger, and is 6.8% lower compared with the previous rate of \$19.08 per deplaned international passenger. The rate reduction is achieved mainly due to the deferral of capital costs.

The rates and charges list also includes the Tariff common use rates applicable to common use passenger terminal space and equipment:

- Common Use Holdroom Rate – \$920.75 per class 4 turn (which includes the following aircraft types B757-300, B767 and B787, as defined in the Amended Rate Methodology), which is lower than the previous rate of \$2,250.14 per class 4 turn. The decrease is primarily due to the use of grants and the deferral of capital costs, as well as higher activity;
- Common Use Baggage Claim Rate – \$5.26 psfpy, which is higher than the previous rate of \$3.61 psfpy. The increase is due to the additional baggage claim space and maintenance costs due to the TBITEC transition to LAWA management;
- Common Use Outbound Baggage System Rate – \$7.51 psfpy, which is higher than the previous rate of \$2.70 psfpy. The increase is due to the additional baggage system space and maintenance costs due to the TBITEC transition to LAWA management;
- Common Use Ticket Counter Rate – \$0.29 per enplanement, which is lower than the previous rate of \$0.34 per enplanement. The decrease is largely due to the expected increased activity.

[ii] Rates and Charges for the Rate Agreement

The rates and charges (Attachment A-C attached hereto and made part hereof) are based on the Amended Rate Methodology for use of demised and common use passenger terminal space and equipment at LAX, calculated in accordance with the Rate Agreement. The Rate Agreement rates and charges shall be applicable to airlines and airline consortiums that are signatories to the Rate Agreement. The rates and charges are generally consistent with the projections provided to the airlines in past years.

The Terminal Building Rate pursuant to the Rate Agreement is \$224.32 psfpy. Rate stabilization is achieved primarily due to use of the federal relief grants and deferral of certain debt service and capital costs.

The FIS Fee for Rate Agreement carriers is \$16.09 per deplaned international passenger. The rate reflects no change from the previous rate. Rate stabilization is achieved primarily due to deferral of certain debt service and capital costs.

Attachment A includes the equalized common use rates to be charged to the Rate Agreement carriers:

- Common Use Holdroom Rate – \$869.73 per class 4 turn (which includes the following aircraft types B757-300, B767 and B787, as defined in the Amended Rate Methodology), which is lower than the previous rate of \$1,028.15 per class 4 turn. The decrease is primarily due to use of grants and deferral of capital costs;
- Common Use Baggage Claim Rate – \$5.15 psfpy, which is higher than the previous rate of \$3.33 psfpy. The increase is due to the additional baggage claim space and maintenance costs due to the transition of the common use operations and maintenance responsibilities from TBITEC to LAWA;
- Common Use Outbound Baggage System Rate – \$7.25 psfpy, which is higher than the previous rate of \$2.26 psfpy. The increase is due to the additional baggage system space and maintenance costs due to transition of the common use operations and maintenance responsibilities from TBITEC to LAWA;
- Common Use Ticket Counter Rate – \$0.26 per enplanement, which is lower than the previous rate of \$0.31 per enplanement. The decrease is largely due to increased expected activity.

At the end of the Fiscal Year, LAWA will recalculate the rates and charges on the basis of actual expenses, activity and other factors affecting the calculations, and will determine the amount of any overpayment (credit) or underpayment (deficit) due to or from each airline; and

WHEREAS, the Fiscal Year 2022 Tariff Terminal Buildings Rate in effect under the Tariff will be used for agreements covering non-aeronautical use of LAX passenger terminals; and

WHEREAS, the Fiscal Year 2022 per use charge for utilities will be at the rate of \$6.51 psfpy. The per-square foot costs are calculated as a pro-rata share of concessionaires' estimated footprint as a proportion of total terminal usable square feet. For Fiscal Year 2022, concession spaces are estimated to occupy 5.6% of terminal usable square footage. The rates are calculated to recover this share of the terminal cost center's utility expenses; and

WHEREAS, concessionaires must rent storage space to meet health and safety requirements as well as to store inventory to be able to meet customer demand. The Concessions Storage Rate will be at \$231.76 psfpy. Said rate will escalate by the lesser of: 1) the annual change in Consumer Price Index published by the Bureau of Labor Statistics for "all urban consumers" for "all items" for the Los Angeles-Riverside-Orange County Area (or a successor index), or; 2) the annual change in the Tariff methodology Terminal Buildings Rate; and

WHEREAS, establishment or modification of any rate, fee or charge is exempt from California Environmental Quality Act (CEQA) requirements pursuant to Article III, Class 1 (31) of the Los Angeles City CEQA Guidelines; and

WHEREAS, actions taken on this item by the Board of Airport Commissioners will become final pursuant to the provisions of Los Angeles City Charter Section 245;

NOW, THEREFORE, BE IT RESOLVED that the Board of Airport Commissioners adopted the Staff Report; determined that this action is exempt from the California Environmental Quality Act (CEQA) pursuant to Article III, Class 1 (31) of the Los Angeles City CEQA Guidelines; approved the Fiscal Year 2022 Passenger Terminal Rates and Charges, Attachments A-C hereto and made part hereof, for Los Angeles International Airport, for the period beginning July 1, 2021 through June 30, 2022, for [i] the Los Angeles International Airport Passenger Terminal Tariff, as amended, [ii] agreements for use of passenger terminal space and equipment using the Tariff rates and charges

methodology, and [iii] the Further Amended and Restated Rate Agreement, which approval shall be subject to approval of the Amended Rate Methodology; further approved use of the Fiscal Year 2022 Terminal Buildings Rate based on the Amended Rate Methodology for agreements covering: [i] non-aeronautical use of the Los Angeles International Airport passenger terminals as such agreements' rental rate, and [ii] concessions agreements covering use of passenger terminal space as such agreement's rental rate; further approved the Fiscal Year 2022 per square foot charge for utilities at the passenger terminal buildings for the period from July 1, 2021 to June 30, 2022; further approved the Terminal Building Rate for Concessions Storage Rate for concessions agreements covering use of passenger terminal space as such agreement's concessions storage rental rate; further approved rescission of Resolution 27172, thereby canceling the terminal rates and other charges set by the Board for the six (6)-month period ending June 30, 2021; further approved use of the Amended Rate Methodology for Fiscal Year 2022 terminal rates and charges settlement to determine the final amount due to or from each airline for the period covering January 1, 2021 through June 30, 2022; and authorized the Chief Executive Officer to adjust the Fiscal Year 2022 Passenger Terminal Rates and Charges as necessary to correct clerical or calculation errors, upon approval as to form by the City Attorney.

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I hereby certify that this Resolution No. 27279 is true and correct, as adopted by the Board of Airport Commissioners at its Regular Meeting held on Thursday, June 3, 2021.



Grace Miguel – Secretary
BOARD OF AIRPORT COMMISSIONERS

Attachments:

(A-C) Terminal Rates & Charges for July 1, 2021 – June 30, 2022

Los Angeles World Airports
 Los Angeles International Airport
 Terminal Rates and Charges
 FY 2022 Budget

Attachment A

	Passenger Tariff	Rate Agreement
Terminal Buildings Rate per sqft per year	\$ 231.76	\$ 224.32
FIS Fee per deplaned international passenger	\$ 17.79	\$ 16.09
Common Use Rates -		
Common Use Holdroom Rates per full turn (T5, T6 68B, TBIT, MSC) -		
Aircraft class 1	\$ 2,532.07	\$ 2,391.75
Aircraft class 2	\$ 1,611.32	\$ 1,522.02
Aircraft class 3	\$ 1,150.94	\$ 1,087.16
Aircraft class 4	\$ 920.75	\$ 869.73
Aircraft class 5	\$ 736.60	\$ 695.78
Aircraft class 6	\$ 460.38	\$ 434.86
Common Use Baggage Claim System Rate per deplaned domestic passenger rate	\$ 5.26	\$ 5.15
Common Use Outbound Baggage System Rate per enplaned passenger	\$ 7.51	\$ 7.25
Common Use BMU Fee per enplaned passenger	\$ 2.31	\$ 2.12
Common Use Ticket Counter Rate per enplaned passenger (T1.5, T6, TBIT)	\$ 0.29	\$ 0.26
Terminal Special Charges-		
A. Custodial Rates		
Average Custodial Rate per sqft per year	\$ 24.51	\$ 24.51
<i>Custodial Charges for Common Use Areas -</i>		
a. Common Use Holdrooms (per enplaned passenger) (T5, TBIT)	\$ 0.59	\$ 0.59
b. Common Use Ticket Counters (per enplaned passenger) (T1.5, TBIT)	\$ 0.03	\$ 0.03
c. Common Use Baggage Claim Areas (per deplaned domestic passenger) (T1.5, T5, TBIT dom)	\$ 0.34	\$ 0.34
B. Equipment Maintenance and Capital Rates		
a. Terminal Airline Support System Rate per enplaned passenger (TBIT)	\$ 0.68	\$ 0.68
1. Terminal Airline Support System Special Charge for T1		\$ 199,104.00
2. Terminal Airline Support System Special Est. Charge for T2 & T3		\$ 148,116.00
b. Loading Bridge Rate - Maintenance (per full turn) -		
Aircraft class 1	\$ 366.37	\$ 366.37
Aircraft class 2	\$ 233.14	\$ 233.14
Aircraft class 3	\$ 166.53	\$ 166.53
Aircraft class 4	\$ 133.23	\$ 133.23
Aircraft class 5	\$ 106.58	\$ 106.58
Aircraft class 6	\$ 66.61	\$ 66.61
c. Loading Bridge Rate - Capital (per full turn)		
Aircraft class 1	\$ 273.49	\$ 273.49
Aircraft class 2	\$ 174.04	\$ 174.04
Aircraft class 3	\$ 124.31	\$ 124.31
Aircraft class 4	\$ 99.45	\$ 99.45
Aircraft class 5	\$ 79.56	\$ 79.56
Aircraft class 6	\$ 49.72	\$ 49.72
d. Loading Bridge Under Lease Capital Charge (per bridge per year)	\$ 53,000	\$ 53,000
Specific per SQFT rate		
M&O Rate, UTC (Commuter & Other)	\$ 20.24	
Concessions Storage Rate	\$ 231.76	

Note-

For purposes of setting rates for the fiscal year months ended June 2022, LAWA has made certain assumptions based upon ongoing lease negotiations, but billing will be based on Leases/occupancy agreements in effect at the time of billing.

Rates shaded in gray indicate previously BOAC-approved rates for space and equipment - pending additional study

Exhibit 1

TERMINAL BUILDINGS RATES

Los Angeles International Airport

Attachment B

	Budget FY 2022	Interim Jan-Jun 2021	Budget CY 2020
TERMINAL BUILDINGS REQUIREMENT			
Unified Capital Requirement			
Debt Service	\$ 353,690,077	\$ 296,280,777	\$ 281,180,408
Less: Debt Service Restructured	(43,107,916)	(63,947,668)	-
Less: PFCs Used to Pay Debt Service	(97,507,062)	(67,802,076)	(153,463,131)
Debt Service Net of PFCs	<u>\$ 213,075,100</u>	<u>\$ 164,531,034</u>	<u>\$ 127,717,277</u>
Debt Service Coverage	41,202,030	31,536,948	20,021,552
Amortization	105,708,041	79,158,791	104,602,942
Unified Capital Requirement	<u>\$ 359,985,171</u>	<u>\$ 275,226,773</u>	<u>\$ 252,341,771</u>
O&M Requirement (Prior Actual FY)	335,681,108	251,662,447	322,113,041
TERMINAL BUILDINGS REQUIREMENT	<u>\$ 695,666,279</u>	<u>\$ 526,889,220</u>	<u>\$ 574,454,812</u>
Calculation of Tariff Terminal Buildings Rate			
Terminal Buildings Requirement	\$ 695,666,279	\$ 526,889,220	\$ 574,454,812
Divided by: Rentable Area	3,001,614	2,229,376	2,690,577
Tariff Terminal Buildings Rate per sqft	<u>\$ 231.76</u>	<u>\$ 236.34</u>	<u>\$ 213.51</u>
Calculation of Rate Agreement Terminal Buildings Rate			
Terminal Buildings Requirement	\$ 695,666,279	\$ 526,889,220	\$ 574,454,812
Less: Tier One Terminal Buildings Revenue Sharing	-	(1,148,750)	(17,133,000)
Less: TRIF Funded Delayed Amortization	(22,343,672)	(25,652,351)	(28,166,421)
Net Terminal Buildings Requirement	<u>\$ 673,322,607</u>	<u>\$ 500,088,118</u>	<u>\$ 529,155,391</u>
Divided by: Rentable Area	3,001,614	2,229,376	2,690,577
Rate Agreement Terminal Buildings Rate	<u>\$ 224.32</u>	<u>\$ 224.32</u>	<u>\$ 196.67</u>
Rate Agreement Terminal Buildings Rate per sqft	<u>\$ 224.32</u>	<u>\$ 224.32</u>	<u>\$ 196.67</u>

**Exhibit 2
FIS RATES**

Los Angeles International Airport

Attachment C

	Budget FY 2022	Interim Jan-Jun 2021	Budget CY 2020
FIS REQUIREMENT			
Capital Costs			
Debt Service	\$ 62,083,938	\$ 48,894,322	\$ 72,164,047
Less: Debt Service Restructured	(50,731,629)	(39,527,929)	
Less: PFCs Used to Pay Debt Service	-	-	(8,200,000)
Debt Service Net of PFCs	\$ 11,352,309	\$ 9,366,393	\$ 63,964,047
Debt Service Coverage	2,509,000	2,057,250	15,171,000
Amortization	-	10,683,092	14,154,214
Amortization Deferral Recovery	1,415,421	-	
Capital Costs	\$ 15,276,731	\$ 22,106,735	\$ 93,289,261
O&M Expenses			
O&M Expenses (Prior Actual FY) allocated on basis of space	44,829,908	31,207,865	40,824,193
Specific FIS O&M--Custodial	19,020,479	13,823,273	16,430,592
Specific FIS O&M--Inbounds, Bag Carts, VSRs and APC	8,883,219	6,455,945	7,673,659
GROSS FIS REQUIREMENT	\$ 88,010,337	\$ 73,593,819	\$ 158,217,704
NET FIS REQUIREMENT	\$ 88,010,337	\$ 73,593,819	\$ 158,217,704
Calculation of Tariff FIS Rate			
Net FIS Requirement	\$ 88,010,337	\$ 73,593,819	\$ 158,217,704
Divided by: Deplaned International Passengers (forecast CY/actual FY)	4,947,086	3,857,179	11,631,535
Tariff FIS Rate per deplaned international passenger	\$ 17.79	\$ 19.08	\$ 13.60
Calculation of Rate Agreement FIS Rate			
Net FIS Requirement	\$ 88,010,337	\$ 73,593,819	\$ 158,217,704
Less: Tier One FIS Concession Revenue	(8,420,000)	(8,255,500)	(24,170,000)
Less: TRIF Funded Delayed Amortization	-	(3,268,223)	(4,303,809)
Net FIS Requirement	\$ 79,590,337	\$ 62,070,095	\$ 129,743,895
Divided by: Deplaned International Passengers (forecast CY/actual FY)	4,947,086	3,857,179	11,631,535
Rate Agreement FIS Rate	\$ 16.09	\$ 16.09	\$ 11.15