

RESOLUTION NO. 27767

WHEREAS, on recommendation of Management, there was presented for approval, Amendment to the Methodology for establishing rates and charges, effective July 1, 2023, for use of passenger terminal facilities at Los Angeles International Airport, pursuant to the Los Angeles International Airport Passenger Terminal Tariff, as amended; and

WHEREAS, as aeronautical activity continues to recover from the adverse impact of the COVID-19 pandemic, the following actions are now required to complete the rate stabilization and harmonization efforts started several years ago: (1) amend the methodology for establishing rates and charges for use of terminal facilities and equipment ("Amended Rate Methodology"); (2) amend the Los Angeles International Airport (LAX) Passenger Terminal Tariff to be consistent with the Amended Rate Methodology, attached hereto as Attachment A and made part hereof; and (3) amend and restate the Rate Agreement to offer signatory carriers certain mitigations, including a gradual phase-in of newly-developed access facilities, acreage, and costs allocable to airline cost centers; and

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City of Los Angeles

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Mayor

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WHEREAS, to promote the airport's competitiveness, the airlines' access to the airport's facilities at competitive costs, and implementation of certain administrative improvements, staff identified certain modifications to the current rate-making methodology for use of terminal facilities and equipment at LAX. The modifications include:

- a. Allowing Los Angeles World Airports (LAWA) discretion to defer costs due to external events, affecting airlines' activity-based rates and charges, including the Federal Inspection Services rate, common-use holdroom, baggage system, baggage claim, and ticket counter rates.
- b. Further streamlining of common-use rates by combining common-use loading bridge maintenance and capital charges into the common-use holdroom requirement.
- c. Eliminating the separate Terminal Area Support System rates and combining them into the Terminal Buildings requirement.
- d. Permitting LAWA to use discretionary funds to incentivize carrier adoption of biometrics and other technologies to enhance passenger processing efficiencies.
- e. Authorizing LAWA to expense capital outlays into the rate base. These are expenditures for purchase of equipment, vehicles, and information technology systems, as well as expenditures on maintenance and replacement and repair projects at the airports; and

WHEREAS, LAWA staff met with airline representatives at the Airport Airline Affairs Committee meetings held on March 22, April 26, and May 24, 2023, and discussed the above-referenced modifications. Staff proposed that said modifications be adopted through an amendment to the rate-making methodology for use of terminal facilities and equipment at LAX; and

WHEREAS, establishment or modification of any rate, fee or charge for the use of existing municipal facilities and services 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 Amendment to the Methodology for establishing rates and charges, effective July 1, 2023, for use of passenger terminal facilities at Los Angeles International Airport, pursuant to the Los Angeles International Airport Passenger Terminal Tariff, as amended; and further approved amendment to Resolution 27277 to reflect the changes to said Methodology.

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I hereby certify that this Resolution No. 27767 is true and correct, as adopted by the Board of Airport Commissioners at its Regular Meeting held on Thursday, June 15, 2023.



Grace Miguel Secretary
BOARD OF AIRPORT COMMISSIONERS

Attachment A: Rate & Charges Methodology, as revised effective July 1, 2023

Attachment A - Amended Rate Methodology

RATES AND CHARGES FOR THE USE OF
TERMINAL FACILITIES AND EQUIPMENT AT LOS ANGELES INTERNATIONAL
AIRPORT
PURSUANT TO THE
LOS ANGELES INTERNATIONAL AIRPORT PASSENGER TERMINAL TARIFF,
AS IT MAY BE AMENDED FROM TIME TO TIME

Revised Effective July 1, 2023

The following rates and charges methodology for the use of passenger terminals (the “Terminals”) and equipment at Los Angeles International Airport (the “Airport”) by Aeronautical Users subject to the Los Angeles International Airport Passenger Terminal Tariff (the “Tariff”), is established by the City of Los Angeles (the “City”), acting by and through the Board of Airport Commissioners (the “Board”) of the Los Angeles World Airports (“LAWA”), under the City of Los Angeles City Charter and Administrative Code, §§ 630 et seq.

Section 1. Definitions. As used in this document, the terms identified in this section shall have the meanings indicated unless the context clearly indicates otherwise. Additional words and phrases used in this document shall have the meanings set forth in the Tariff or, if not so set forth, shall have their usual and customary meaning.

“AAAC” shall mean the Airline Airport Affairs Committee.

“Aeronautical User” shall mean an Airline or any other Person engaged in an activity that involves, makes possible or is required for the safety of, or is otherwise directly related to, the operation of aircraft and includes providers of services related directly and substantially to the movement of passengers, baggage, mail and cargo on the Airport, but does not include any government or political subdivision thereof or a governmental agency.

“Airline” shall mean an Air Carrier or Foreign Air Carrier as defined in 49 U.S.C. §§ 40102(a)(2) and (a)(21), respectively.

“Airline-Operated Common Use Domestic Baggage Claim Systems” shall mean the inbound baggage equipment maintained, and the associated space leased, by one Airline that is used from time to time by other Airlines on a common use basis (excluding any such space and equipment serving the FIS Areas).

“Airline-Operated Common Use Outbound Baggage Systems” shall mean the outbound baggage equipment maintained, and the associated space leased, by one Airline that is used from time to time by other Airlines on a common use basis.

“Capital Costs” shall mean all capital costs of the Airport, including the following:

- (a) Debt service (net of PFC’s) allocable to bond-funded Capital Improvements.

- (b) Debt service coverage allocated in accordance with stated bond covenant requirements (currently 1.25 for senior debt obligations and 1.15 for subordinate debt obligations).
- (c) Amortization allocable to Capital Improvements funded with airport revenue, based on the economic life for each Capital Improvement and calculated using an interest rate set to equal the average all-in cost of Airport debt sold by LAWA during the year when such Capital Improvement is put in service or, if no Airport debt was sold or if cash was used by City to pay down bond or interim financing principal pursuant to Section 8 and Section 10.8 of the 2023 Amended and Restated Rate Agreement effective on and after July 1, 2023 as it may be amended from time to time (the “2023 ARRA”), set to equal comparable published average borrowing costs.

“Capital Improvement” shall mean any improvement or item or related group of items acquired, purchased, leased or constructed to improve, maintain or develop the Airport, as well as any extraordinary or substantial expenditure whose object is to preserve, enhance or protect the Airport that, in accordance with generally accepted accounting principles consistently applied, is capitalized by LAWA.

“Capital Outlays” shall mean all expenditures for the purchase of equipment, vehicles and information technology systems and expenditures on maintenance, replacement and repair projects at the Airport, appropriated annually as part of LAWA’s operating budget authorization.

“CEO” shall mean the Chief Executive Officer of the Department of Airports of the City of Los Angeles, California, or his or her designee.

“Common Use Areas,” previously referred to as “Joint Use Areas” under the Tariff, shall mean the space in any Terminal designated by the CEO be used in common by one or more Airlines or otherwise benefitting one or more Airlines for operations and include, without limitation, Common Use Holdrooms, Common Use Ticket Counters, Common Use Domestic Baggage Claim Areas and Common Use Outbound Baggage System Areas.

“Common Use Domestic Baggage Claim Areas” shall mean the space in any Terminal (excluding the FIS Areas) designated by the CEO to be used in common with other Airlines for the delivery of inbound baggage to arriving passengers, including the baggage recheck areas and the areas where Common Use Domestic Baggage Claim Systems are located, but excluding the areas leased by Airlines for Airline-Operated Common Use Domestic Baggage Claim Systems.

“Common Use Domestic Baggage Claim System” shall mean equipment that delivers inbound baggage to arriving passengers (excluding equipment serving the FIS Areas).

“Common Use Holdrooms” shall mean the space in any Terminal designated by the CEO to be used in common with other Airlines for passenger holdrooms and gate areas.

“Common Use Loading Bridge” shall mean a passenger loading bridge and related equipment owned by LAWA.

“Common Use Outbound Baggage System” shall mean equipment that sorts outbound baggage for delivery to departing aircraft.

“Common Use Outbound Baggage System Areas” shall mean the space in any Terminal designated by the CEO to be used in common with other Airlines for the sorting of outbound baggage for delivery to departing aircraft, including the areas where Common Use Outbound Baggage Systems are located, but excluding the areas leased by Airlines for Airline-Operated Common Use Outbound Baggage Systems.

“Common Use Ticket Counters” shall mean the space in any Terminal designated by the CEO to be used in common with other Airlines for ticket counters and associated queuing space.

“Deplaned Domestic Passengers” shall mean the number of passengers, not including the flight crew, disembarking from a domestic flight at the Terminals and shall include passengers clearing customs and immigration in the country that his or her flight originated from, disembarking from an international flight at the Terminals.

“Deplaned International Passengers” shall mean the number of passengers, not including the flight crew or passengers clearing customs and immigration in the country that his or her flight originated from, disembarking from an international flight at the Terminals.

“Enplaned Passengers” shall mean the number of passengers, not including the flight crew or international in-transit passengers, but including both originating and connecting passengers, embarking on a flight at the Terminals.

“Exogenous Events” shall mean unforeseen events that are outside of the control of the City and that have a material impact on rates and charges for use of the Terminals at the Airport as determined by LAWA.

“Fiscal Year” shall mean the twelve (12) month period beginning July 1 of any year and ending June 30 of the following year or any other period adopted by LAWA for its financial affairs.

“FIS Areas,” previously referred to as the “International Joint Use Areas” under the Tariff, shall mean the space in the Terminals designated by the CEO to be used in common with other Airlines for federal inspection services (including sterile corridors, customs areas, baggage service areas, customs baggage claim areas, cashier areas, interline baggage areas, immigration inspection areas, storage areas, locker areas, federal inspection service swing areas, conference room areas and registration areas), offices for federal agencies, restrooms included in or adjacent to the foregoing areas, transit lounge space and other in transit facilities for international passengers.

“Operations and Maintenance Expenses,” previously referred to as “Terminal Expenses” under the Tariff, shall mean the total operations and maintenance expenses and Capital Outlays of the Airport.

“Passenger Facility Charges” or “PFC’s” shall mean passenger facility charges remitted to LAWA under 49 U.S.C. § 40117 and 14 C.F.R. Part 158 as they may be amended from time to time.

“Person” shall mean a corporation, an association, a partnership, a limited liability company, an organization, a trust, a natural person, a government or political subdivision thereof or a governmental agency.

“Public Area” shall mean sidewalks, concourses, corridors, lobbies, passageways, restrooms, elevators, escalators and other similar space made available by LAWA from time to time for use by passengers, LAWA and Airline employees and other members of the public, as designated by the CEO.

“Rentable Area” previously referred to as “Measured Area” under the Tariff, shall mean any areas in the Terminals that are available for use by Airlines, other Aeronautical Users, concessionaires or LAWA or other governmental users on an exclusive, common or preferential use basis, as designated by the CEO. Rentable Area does not include any areas that are located outside the Terminals nor does Rentable Area include any space (such as security checkpoints) used by federal governmental agencies (such as Customs and Border Patrol or the Transportation Security Administration) or local law enforcement agencies to carry out their operations at the Airport.

“Reserve Deposits” shall mean the amounts deposited to funds and accounts for operations and maintenance reserves, to satisfy debt service reserve requirements, and similar expense reserves under the terms of any applicable bond covenants or as required by the Los Angeles City Charter.

“Signatory Airline” shall mean each Airline that signed the 2023 ARRA.

“Terminals” shall mean all of the airline passenger terminals at the Airport.

“Turn” shall mean the active arrival and departure of an aircraft from a gate (including a remote gate) and may be measured in halves. The movement of an empty aircraft to or from a gate shall not constitute half a “Turn.”

Section 2. Calculation of Rate and Charges for Airlines.

2.1. Generally.

2.1.1. An Airline using any space or equipment in the Terminals pursuant to the Tariff shall be subject to the rates and charges set forth in this Section 2. There are two kinds of rates and charges set forth in this Section: equalized charges for all of the Terminals (described in Sections 2.2 through 2.7 below) and Terminal Special Charges (described in Section 2.8 below), assessed for the use of certain space or equipment in certain Terminals, for the recovery of certain types of Capital Costs or Operations and Maintenance Expenses that are not incurred by

LAWA in all of the Terminals and not recovered from the Airlines through the equalized rates and charges. In calculating the Terminal Buildings Requirement, the FIS Requirement and Terminal Special Charges, as set forth below, LAWA shall exclude any cost (net of the cost of collection) that (a) has been reimbursed or covered by government grants or PFC's, (b) has been reimbursed or covered by any insurance recovery, condemnation proceeds or other third-party payment, or (c) has been reimbursed or is required to be reimbursed to LAWA by an individual Airline under the Tariff in connection with projects undertaken by LAWA at the request and for the benefit of an individual Airline. Illustrative calculations displaying how rates and charges will be calculated under this methodology are attached as Exhibit A through Exhibit G.

2.1.2. Airline Consultations on Proposed Rates and Charges. No later than May 1 of each year, the CEO shall provide each Airline then currently using space at the Airport with a complete copy of the then proposed rates and charges, calculated in accordance with this Section 2, for the next Fiscal Year. The CEO shall, upon request by any such Airline, consult with such Airlines concerning the then proposed rates and charges. No later than June 1 of each year, the CEO shall make any revisions to the proposed rates and charges as the CEO determines, in his or her sole discretion, to be warranted as a result of consultation with the Airlines or otherwise, and shall provide written notice to each Airline then currently using space at the Airport of new rates and charges to be effective on July 1 of the next Fiscal Year. A copy of such written notice shall be filed with the secretary of the Board.

2.2. Calculation of the Terminal Buildings Rate. Each year LAWA shall calculate the estimated Terminal Buildings Rate for the next Fiscal Year as follows:

2.2.1. The Terminal Buildings Requirement shall be computed as the total of (i) the Unified Capital Requirement and (ii) the Operations and Maintenance Requirement.

(a) Calculation of the Unified Capital Requirement. Each year LAWA shall calculate the Unified Capital Requirement by totaling all budgeted Capital Costs allocable to the Terminals (excluding the FIS Areas) for the next Fiscal Year.

(b) Calculation of Operations and Maintenance Requirement. Each year LAWA shall calculate the Operations and Maintenance Requirement by totaling all budgeted Operations and Maintenance Expenses and Reserve Deposits (if any) allocable to the Terminals (excluding the FIS Areas and any Operations and Maintenance Expenses to be recovered under Sections 2.4 through 2.8) for the next Fiscal Year.

The allocation method for Capital Costs and Operations and Maintenance Expenses is outlined in attached Appendix 1.

2.2.2. The estimated Terminal Buildings Rate shall then be calculated by dividing the Terminal Building Requirement by the estimated total amount of Rentable Area. LAWA may use the actual amount of Rentable Area in the immediately preceding Fiscal Year in calculating the estimated Terminal Buildings Rate.

2.3. Calculation of the FIS Rate. Each year LAWA shall calculate the estimated FIS Rate for the next Fiscal Year as follows:

2.3.1. The estimated Gross FIS Requirement shall be computed as the total of (i) all budgeted Capital Costs allocable to the FIS Areas for the next Fiscal Year and (ii) all budgeted Operations and Maintenance Expenses and Reserve Deposits (if any) allocable to the FIS Areas for the next Fiscal Year *provided*, however, that the City shall have the discretion to reduce the estimated Gross FIS Requirement by an amount deemed appropriate by the City to moderate increases in the FIS Rate related to Exogenous Events. In no event shall such reductions in the Gross FIS Requirement result in a FIS Rate that is less than the FIS Rate in the immediately preceding Fiscal Year. After the year-end settlement calculations, any remaining balances of such reductions in the Gross FIS Requirement that do not reflect the application of federal or state grants shall be recovered in subsequent Fiscal Years by increases to the otherwise-indicated Gross FIS Requirement on a schedule to be reasonably determined and, from time to time, adjusted by the City after consultation with the Signatory Airlines.

2.3.2. From the estimated Gross FIS Requirement, LAWA shall deduct the amounts of any estimated revenue from the rental of space in the FIS Areas to governmental agencies to yield the Net FIS Requirement.

2.3.3. The estimated FIS Rate shall then be calculated by dividing the Net FIS Requirement by the estimated total annual number of Deplaned International Passengers for the next Fiscal Year. LAWA may use the actual number of Deplaned International Passengers in the immediately preceding Fiscal Year in calculating the estimated FIS Rate.

2.4. Calculation of Common Use Holdroom Rate. Each year LAWA shall calculate the estimated Common Use Holdroom Rate for the next Fiscal Year as follows:

2.4.1. The estimated Holdroom Requirement shall be computed as (a) the product of the Terminal Buildings Rate and the total square footage of all Common Use Holdrooms in the Terminals plus (b) all budgeted Capital Costs and Operation and Maintenance Expenses allocable to Common Use Loading Bridges; *provided*, however, that the City shall have the discretion to reduce the estimated Holdroom Requirement by an amount deemed appropriate by the City to moderate increases in the Common Use Holdroom Rate related to Exogenous Events. In no event shall such reductions in the Holdroom Requirement result in a Common Use Holdroom Rate that is less than the

unweighted average of the budgeted Common Use Holdroom Rates in the immediately preceding Fiscal Year. After the year-end settlement calculations, any remaining balances of such reductions in the Holdroom Requirement that do not reflect the application of federal or state grants shall be recovered in subsequent Fiscal Years by increases to the otherwise-indicated Holdroom Requirement on a schedule to be reasonably determined and, from time to time, adjusted by the City after consultation with the Signatory Airlines.

2.4.2. LAWA shall then calculate six separate Common Use Holdroom Rates for use of Common Use Holdrooms by the six different classes of aircraft shown in the table below.

Aircraft Class					
1	2	3	4	5	6
A380	747	A340 A330 B777 A350 MD-11 IL-96	B757-300 B767 B787	B717 A220 A318 A319 A320 A321 MD (DC) All B737 757-200	All others having 100 seats or less

The charges for use of Common Use Holdrooms by aircraft within each of these classes shall bear the following relativities to each other:

<u>Relative Charge per Turn</u>	
Class 1:	2.75x
Class 2:	1.75x
Class 3:	1.25x
Class 4:	1.00x
Class 5:	0.80x
Class 6:	0.80x

For rate-setting purposes, the charges per Turn for each of these six classes of aircraft will be calculated so that expected aggregate Common Use Holdroom charges equal the Common Use Holdroom Requirement.

2.4.3. Revised Aircraft Relativities. LAWA may adjust the aircraft relativities between the six classes of aircraft in Section 2.4.2 pursuant to this Section 2.4.3. Prior to adjusting the aircraft relativities, LAWA shall provide written notice (“New Relativities Notice”) to the AAAC that provides the new aircraft relativities and the reason for the

adjustment. The AAAC shall provide LAWA with any comments in writing within thirty (30) days following the New Relativities Notice. LAWA shall consider any such comments and then, in its sole discretion, shall reasonably determine whether to make the adjustment. LAWA shall provide written notice to the AAAC of its determination, and thereafter the calculations of relative charges per Turn under Section 2.4.2 shall reflect any such adjustment.

2.4.4 New Types of Aircraft. If any Airline begins to serve the Airport with types of aircraft not shown in the table in Section 2.4.2, LAWA shall provide written notice (“New Aircraft Notice”) to the AAAC to solicit a recommendation from the AAAC as to the proper classification of such new aircraft types for rate-setting purposes. If the AAAC wishes to make such a recommendation, it shall do so in writing within thirty (30) days following the New Aircraft Notice. LAWA shall consider any such recommendation and then, in its sole discretion, shall reasonably determine whether to (a) assign such new aircraft to a new class with a different specified relativity or (b) include it in one of the existing aircraft classes under Section 2.4.2. LAWA shall provide written notice to the AAAC of its determination of how such new aircraft will be classified for rate-setting purposes, and thereafter the calculations of relative charges per Turn under Section 2.4.2 shall reflect any such classification.

2.5. Calculation of Common Use Domestic Baggage Claim Rate. Each year LAWA shall calculate the estimated Common Use Domestic Baggage Claim Rate for the next Fiscal Year as follows:

2.5.1. The estimated Common Use Domestic Baggage Claim Requirement shall be computed as the total of (i) the product of the Terminal Buildings Rate and the total square footage of all Common Use Domestic Baggage Claim Areas in the Terminals, (ii) all budgeted Operations and Maintenance Expenses allocable to Common Use Domestic Baggage Claim Systems operated and maintained by LAWA in any of the Terminals, (iii) all budgeted payments to be made by LAWA to an Airline to cover a pro rata share of such Airline’s costs of leasing, operating and maintaining Airline-Operated Common Use Domestic Baggage Claim Systems, and (iv) all budgeted rental payments, if any, that would otherwise be due from an airline consortium leasing any such space but are waived by LAWA; *provided*, however, that LAWA shall have the discretion to reduce the estimated Common Use Domestic Baggage Claim Requirement by an amount deemed appropriate by LAWA to moderate increases in the Common Use Domestic Baggage Claim Rate related to Exogenous Events. In no event shall such reductions in the Common Use Domestic Baggage Claim Requirement result in a Common Use Domestic Baggage Claim Rate that is less than the Common Use Domestic Baggage Claim Rate in the immediately preceding Fiscal Year or cause LAWA to reduce its payments to any Airline under Section 2.5.1(iii). After the year-end settlement calculations, any remaining balances of such reductions in the Common Use Domestic Baggage Claim Requirement that do not reflect the application of federal or state grants shall be recovered in subsequent

Fiscal Years by increases to the otherwise-indicated Common Use Domestic Baggage Claim Requirement on a schedule to be reasonably determined and, from time to time, adjusted by the City after consultation with the Signatory Airlines.

2.5.2. The estimated Common Use Domestic Baggage Claim Rate shall then be calculated by dividing the Common Use Domestic Baggage Claim Requirement by the estimated total annual number of Deplaned Domestic Passengers of Airlines using Common Use Domestic Baggage Claim Systems or Airline-Operated Common Use Domestic Baggage Claim Systems in any of the Terminals. LAWA may use the actual number of Deplaned Domestic Passengers of Airlines using Common Use Domestic Baggage Claim Systems or Airline-Operated Common Use Domestic Baggage Claim Systems in the immediately preceding Fiscal Year in calculating the estimated Common Use Domestic Baggage Claim Rate.

2.6. Calculation of Common Use Outbound Baggage System Rate. Each year LAWA shall calculate the estimated Common Use Outbound Baggage System Rate for the next Fiscal Year as follows:

2.6.1. The estimated Common Use Outbound Baggage System Requirement shall be computed as the total of (i) the product of the Terminal Buildings Rate and the total square footage of all Common Use Outbound Baggage System Areas in the Terminals, (ii) all budgeted Operations and Maintenance Expenses allocable to Common Use Outbound Baggage Systems operated and maintained by LAWA in any of the Terminals, (iii) all budgeted payments to be made by LAWA to an Airline to cover a pro rata share of such Airline's costs of leasing, operating and maintaining Airline-Operated Common Use Outbound Baggage Systems, and (iv) all budgeted rental payments, if any, that would otherwise be due from an airline consortium leasing any such space but are waived by LAWA; *provided*, however, that LAWA shall have the discretion to reduce the estimated Common Use Outbound Baggage System Requirement by an amount deemed appropriate by LAWA to moderate increases in the Common Use Outbound Baggage System Rate related to Exogenous Events. In no event shall such reductions in the Common Use Outbound Baggage System Requirement result in a Common Use Outbound Baggage System Rate that is less than the Common Use Outbound Baggage System Rate in the immediately preceding Fiscal Year or cause LAWA to reduce its payments to any Airline under Section 2.6.1(iii). After the year-end settlement calculations, any remaining balances of such reductions in the Common Use Outbound Baggage System Requirement that do not reflect the application of federal or state grants shall be recovered in subsequent Fiscal Years by increases to the otherwise-indicated Common Use Outbound Baggage System Requirement on a schedule to be reasonably determined and, from time to time, adjusted by the City after consultation with the Signatory Airlines.

2.6.2. The estimated Common Use Outbound Baggage System Rate shall then be calculated by dividing the estimated Common Use Outbound Baggage System Requirement by the estimated total annual number of Enplaned Passengers of Airlines

using the Common Use Outbound Baggage System Areas or Airline-Operated Common Use Outbound Baggage Systems in all of the Terminals. LAWA may use the actual number of Enplaned Passengers of Airlines using the Common Use Outbound Baggage System Areas or Airline-Operated Common Use Outbound Baggage Systems in the immediately preceding Fiscal Year in calculating the estimated Outbound Baggage System Rate.

2.7. Common Use Ticket Counter Rate. Each year LAWA shall calculate the estimated Common Use Ticket Counter Rate for all Terminals for the next Fiscal Year as follows:

2.7.1. The estimated Common Use Ticket Counter Requirement shall be computed as the product of the Terminal Buildings Rate and the total square footage of all of the Common Use Ticket Counter space in the Terminals, *provided*, however, that the City shall have the discretion to reduce the estimated Common Use Ticket Counter Requirement by an amount deemed appropriate by the City to moderate increases in the Common Use Ticket Counter Rate related to Exogenous Events. In no event shall such reductions in the Common Use Ticket Counter Requirement result in a Common Use Ticket Counter Rate that is less than the Common Use Ticket Counter Rate in the immediately preceding Fiscal Year. After the year-end settlement calculations, any remaining balances of such reductions in the Gross FIS Requirement that do not reflect the application of federal or state grants shall be recovered in subsequent Fiscal Years by increases to the otherwise-indicated Gross FIS Requirement on a schedule to be reasonably determined and, from time to time, adjusted by the City after consultation with the Signatory Airlines.

2.7.2. The estimated Common Use Ticket Counter Rate shall then be calculated by dividing the Common Use Ticket Counter Requirement by the estimated total annual number of Enplaned Passengers of Airlines using Common Use Ticket Counters in the next Fiscal Year. LAWA may use the actual number of Enplaned Passengers in the immediately preceding Fiscal Year in calculating the estimated Common Use Ticket Counter Rate.

2.8. Terminal Special Charges. There are certain equipment and services that LAWA provides in some, but not all of the Terminals. Airlines using such equipment or services in certain Terminals pursuant to the Tariff shall be subject to Terminal Special Charges as follows. Any Capital Costs or Operations and Maintenance Expenses that are included in the calculations of Terminal Special Charges shall be excluded from the rates and charges calculated under Sections 2.2 through 2.7.

2.8.1. Custodial Rates. Each year LAWA shall calculate estimated Custodial Rates for the next Fiscal Year as follows:

2.8.1.1. The Custodial Requirement shall be computed as the total of (i) all budgeted payments by LAWA under service contracts for janitorial and cleaning services in all Terminals (ii) all budgeted costs to LAWA of providing its own janitorial and cleaning services in all Terminals; and (iii) payments made

by LAWA to an Airline providing such services in a Common Use Holdroom that is used by other Airlines on a common use basis.

2.8.1.2. The Custodial Requirement shall then be divided by the total square footage of all areas (whether Public Areas or Rentable Areas) for which LAWA provides janitorial and cleaning services to derive the Average Custodial Rate. LAWA shall then calculate four separate Custodial Rates for use of Common Use Holdrooms, Common Use Ticket Counters, Outbound Baggage System Areas and Baggage Claim Areas, respectively, by (x) multiplying the total square footage of each such type of space in all Terminals by the Average Custodial Rate and then (y) dividing by the following factors:

- (a) for Common Use Holdrooms, Enplaned Passengers;
- (b) for Common Use Ticket Counters, Enplaned Passengers;
- (c) for Common Use Outbound Baggage System Areas, Enplaned Passengers; and
- (d) for Common Use Domestic Baggage Claim Areas, the total of Deplaned Domestic Passengers.

In making these calculations, LAWA shall only consider the numbers of passengers using the Common Use facilities that are expected to be the subject of these Terminal Specific Charges in the next Fiscal Year and may use the actual numbers of such passengers in the immediately preceding Fiscal Year in calculating these rates.

2.8.2. LAWA-owned Loading Bridge Rates. Each year LAWA shall calculate the estimated LAWA-owned Loading Bridge Capital Rate and the LAWA-owned Loading Bridge O&M Rate for the use of LAWA-owned loading bridges for the next Fiscal Year as follows:

2.8.2.1 The Average LAWA-owned Loading Bridge Capital Requirement shall be calculated by dividing all budgeted Capital Costs allocable to LAWA-owned loading bridges for the following Fiscal Year by the total number of LAWA-owned loading bridges.

2.8.2.2 The estimated LAWA-owned Loading Bridge Capital Rate shall be calculated by dividing the Average LAWA-owned Loading Bridge Capital Requirement by the estimated average annual number of Turns per LAWA-owned loading bridge, so that the capital charges for use of the LAWA-owned loading bridges by each type of aircraft shall bear the relativities to each other set forth in Section 2.4.2. LAWA may use the actual number of Turns at LAWA-owned loading bridges in the immediately preceding Fiscal Year in calculating the estimated LAWA-owned Loading Bridge Capital Rate.

2.8.2.3 The Average LAWA-owned Loading Bridge O&M Requirement for LAWA-owned loading bridges maintained by LAWA shall be calculated by first summing (i) all budgeted Operations and Maintenance Expenses allocable to such LAWA-owned loading bridges and (ii) any payments made by LAWA to an Airline to cover a pro rata share of such Airline's costs of operating and maintaining a LAWA-owned loading bridge and then dividing that sum by the total number of LAWA-owned loading bridges.

2.8.2.4 The estimated LAWA-owned Loading Bridge O&M Rate for LAWA-owned loading bridges maintained by LAWA shall be calculated by dividing the Average LAWA-owned Loading Bridge O&M Requirement by the estimated average annual number of Turns per LAWA-owned loading bridge, so that the maintenance charges for use of such LAWA-owned loading bridges by each type of aircraft shall bear the relativities to each other set forth in Section 2.4.2. LAWA may use the actual number of Turns at such LAWA-owned loading bridges in the immediately preceding Fiscal Year in calculating the estimated LAWA-owned Loading Bridge O&M Rate.

2.8.3. Future Terminal Special Charges. The CEO, subject to Board approval, may impose additional Terminal Special Charges in similar circumstances, where LAWA is providing certain specified services or equipment in some, but not all of the Terminals. LAWA shall notify and consult with the Airlines concerning any proposed new Terminal Special Charges at least 60 days before LAWA submits any proposed new Terminal Special Charges for approval by the Board.

2.8.4. Operational Efficiency and Technology Adoption Credit. LAWA may, in its sole discretion, use discretionary funds to incentivize air carrier adoption of biometrics and other advanced technologies in the Terminals. Any financial incentives shall be issued to a qualifying airline as a credit against the fees and charges owed by the airline for the use of the Terminals. In no event shall such credits exceed the fees and charges owed by the airline for the areas and equipment utilizing the advanced technologies.

2.9. Mid-year Adjustments. If it appears to LAWA, on the basis of information it is able to accumulate during the course of any Fiscal Year, that the estimated Capital Costs and Operations and Maintenance Expenses, projected levels of Airline activity or other factors affecting the prescribed calculations it has used to calculate the rates and charges set forth in Section 2 are likely to vary significantly (higher or lower) from actual results, LAWA may make adjustments to such rates and charges at mid-year or at such other time during the Fiscal Year (a) as the need for such an adjustment becomes apparent to LAWA or (b) the variance between the estimated Capital Costs and Operations and Maintenance Expenses or projected levels of Airline activity and actual results is expected to be ten percent (10%) or more. LAWA shall provide the AAAC with at least thirty (30) days advance written notice ("Mid-Year Adjustment Notice") of any adjustments to be made under this Section 2.9. The AAAC may, within fifteen (15) days of

receipt of the Mid-Year Adjustment Notice, request a meeting with LAWA to review the information that LAWA used as the basis for an adjustment under this Section 2.9 and if the AAAC does so, LAWA shall meet with the AAAC within fifteen (15) days of the AAAC's request.

2.10. Annual Adjustments-to-Actual. Within 180 days after the close of each Fiscal Year after 2022, LAWA shall recalculate the rates and charges as set forth in this Section 2 on the basis of actual Capital Costs and Operations and Maintenance Expenses, Airline activity and other factors affecting the prescribed calculations and shall determine the amount of any overpayment (credit) or underpayment (deficit) due to or from each Airline. Any resulting credit will be issued to the Airline, and any resulting debit will be invoiced to and payable by the Airline, as prescribed in the Tariff.

Section 3. Calculation of Rates and Charges for Aeronautical Users other than Airlines. An Aeronautical User using any space in the Terminals pursuant to the Tariff shall be subject to the Terminal Buildings Charge described in Section 2.2.

Appendix 1

Cost Allocation Method

(1) *Description of Cost Centers.* Cost centers at the Airport are those functions or physically discrete areas that are used to account for costs incurred by LAWA to own (or otherwise provide), maintain, operate, construct, develop, and administer the Airport. There are two types of cost centers used to account for costs at the Airport: (a) direct cost centers, which are each related to a defined physical area of the Airport that serves a particular function, and (b) indirect cost centers, which are related to service functions that support the direct cost centers. The following are the direct and indirect cost centers used to account for both capital costs and operations and maintenance expenses at the Airport:

Direct Cost Centers

Terminals - the Terminals cost center comprises the land and all passenger terminal buildings and other related and appurtenant facilities, whether owned, operated, or maintained by LAWA. Facilities include the passenger terminal buildings located in the central terminal area, passenger terminal buildings located outside the central terminal area, associated concourses, holdrooms, passenger tunnels, and all other facilities that are a part of the passenger terminal buildings.

Airfield - the Airfield cost center comprises those portions of the Airport (excluding the aircraft aprons associated with the terminal, general aviation, cargo, and aircraft maintenance facilities) providing for the landing, taking off, and taxiing of aircraft, including approach and turning zones, clear zones, navigation or other easements, runways, a fully integrated taxiway system, runway and taxiway lights, and other appurtenances related to the aeronautical use of the Airport, including any property acquired for noise mitigation purposes.

Apron - the Apron cost center comprises the land and paved areas primarily adjacent to passenger terminal buildings, but also includes remote parking areas that provide for the parking, loading, and unloading of passenger aircraft. The Apron cost center does not include aprons associated with general aviation, cargo, or aircraft maintenance facilities.

Aviation - the Aviation cost center comprises the land and facilities related to air cargo, general aviation, fixed-base operations, aircraft fueling, aircraft maintenance, in-flight catering, and other aviation-related services.

Commercial - the Commercial cost center comprises the land and facilities not located in the Terminal cost centers and that are provided for nonaeronautical commercial and industrial activities, including public automobile parking, car rental service centers, golf courses, the Theme Building, and the Proud Bird restaurant.

Indirect Cost Centers

Access – the Access cost center includes the costs of facilities and services for on-Airport and off-Airport ground access for vehicles and pedestrians, including airside and landside access, and Airport access generally. It also includes the costs of increasing, preserving, or managing the capacity of the Airport's access facilities.

General Administration – the General Administration cost center includes the general administrative and support costs related to providing, maintaining, operating, and administering the Airport that cannot be directly allocated to other cost centers.

(2) *Allocation Methods.* Expenses directly attributable to the Terminals, and indirect Administrative and Access cost center expenses are allocated to the Terminals as follows:

- (i) Wherever possible, expenses directly attributable to the Terminals are allocated to the Terminals.
- (ii) Expenses attributable to Airport administrative divisions are allocated to the Terminals cost center based on its proportion of total direct expenses.
- (iii) Expenses directly allocated to the Access cost center are allocated to the Terminals cost center and all other direct cost centers on the basis of the ratio of land area by cost center.