

RESOLUTION NO. 27770

WHEREAS, on recommendation of Management, there was presented for approval, Fiscal Year 2023-2024 Passenger Terminal Rates and Charges for Los Angeles International Airport for the period beginning July 1, 2023 through June 30, 2024, for [a] the Los Angeles International Airport Passenger Terminal Tariff, as amended, [b] agreements for use of passenger terminal space and equipment using the Tariff rates and charges methodology, and [c] the 2023 Amended and Restated Rate Agreement; 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: (a) 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 (Tariff) to be consistent with the Amended Rate Methodology; and (3) amend and restate the Rate Agreement (2023 Amended and Restated Rate Agreement, or 2023 ARRA) 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

WHEREAS, in accordance with the Tariff and Amended Rate Methodology, rates and charges for use of passenger terminal space and equipment at LAX are set each fiscal year. Those rates and charges are established pursuant to the rate-setting methodology outlined in the Tariff. The Rate Agreement, which was approved by the Board of Airport Commissioners (Board) in September 2012, and amended and restated in December 2019 (further amended in June 2021 and amended and restated via concurrent action in June 2023), modifies the Tariff rates and charges established each fiscal year for airlines that are signatories to the Rate Agreement; and

WHEREAS, passenger airlines and airline consortiums currently subject to a rate agreement (signatory airlines) must execute and deliver the 2023 ARRA to Los Angeles World Airports (LAWA) by December 31, 2023, to be eligible for certain 2023 ARRA benefits. The 2023 ARRA rates reflect the assumption that all air carriers are eligible for all 2023 ARRA benefits; and

WHEREAS, the 2023 ARRA offers a phase-in of newly-constructed parcels used to allocate Access Cost Center operating and capital expenses, effective July 1, 2024. This mitigation results in a budgeted reduction of about \$21 million in Access costs allocable to aeronautical cost centers to 2023 ARRA signatories. Upon reconciliation, non-signatory airlines will bear the full Access cost allocation beginning July 1, 2023; and

WHEREAS, further, to encourage a steady increase in common-use rates and incentivize carriers to sign the 2023 ARRA, LAWA has budgeted \$40 million in mitigations pursuant to the Amended Rate Methodology to the Federal Inspection Services (FIS), Common-Use Holdroom, and Baggage System operations and maintenance requirements; and

WHEREAS, the Terminal Rates and Charges will be applied pursuant to the 2023 ARRA beginning July 1, 2023 through December 31, 2023. LAWA reserves the right to reverse the mitigations for the carriers that choose not to sign the 2023 ARRA by the deadline of December 31, 2023. Therefore, after December 31, 2023, signatories to the 2023 ARRA will be charged pursuant to that agreement; carriers that are signatories to prior Rate Agreements, but do not sign 2023 ARRA, will be charged according to their Rate Agreement. All carriers will be subject to year-end reconciliation

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City of Los Angeles

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Mayor

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contingent upon the Rate Methodology and their Rate Agreement in effect during the fiscal year; and

WHEREAS, staff requested Board approval of the rates and charges (see Attachments A^o through C, attached hereto and made part hereof) for the use of demised and common-use passenger terminal space and equipment at LAX. Said rates and charges will be applicable to terminal users subject to the Tariff and to agreements that use the Tariff rates and charges terms and/or methodology; and

WHEREAS, 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:

- (1) Terminal Buildings Rate – to recover capital costs and operations and maintenance (O&M) costs, and reserve deposits (if any) allocable to the terminals
- (2) FIS Fee – to recover capital costs and O&M costs, and reserve deposits (if any) allocable to the FIS facilities
- (3) Common-Use Holdroom Rate – to recover the 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 added to Loading Bridge Capital and Maintenance requirements
- (4) Common-Use Domestic Baggage Claim Rate – to recover the estimated baggage claim requirement, which is the total of the sum of O&M expenses associated with the common-use inbound 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
- (5) Common-Use Outbound Baggage System Rate – to recover the 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
- (6) Common-Use Ticket Counter Rate – to recover the 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
- (7) Terminal Special Charges – to recover charges for certain equipment and services that LAWA provides in certain Terminals. These include charges for:

Custodial Services –

The calculated Tariff Terminal Buildings Rate is \$280.93 per square foot per year (psfpy), 13.7% higher than the previous rate of \$247.05 psfpy. The rate increase is primarily due to increased terminal O&M expenses.

The FIS Fee, pursuant to the Tariff, is \$15.37 per deplaned international passenger, and is 17.1% lower than the previous rate of \$18.54. The rate decrease is mainly due to an expected increase in passenger traffic.

^o At the meeting, the Board approved an amendment to the staff report, specifically to Attachment A, to insert the amounts \$52,270 for the item "d. Loading Bridge Under Lease Capital Charge (per bridge per year)."

The attached rates and charges list also includes the Tariff common-use rates applicable to common-use passenger terminal space and equipment. Such common-use rates are briefly discussed below:

- Common-Use Holdroom Rate – \$1,108.76 per class 4 turn (which includes the following aircraft types: B757-300, B767, and B787, as defined in the Amended Rate Methodology), which is higher than the previous rate of \$969.59 per class 4 turn. The increase is primarily due to the modification to include the Common-Use Loading Bridge O&M and capital expenses in the Holdroom requirement.
- Common-Use Baggage Claim Rate – \$2.63 per deplanement, which is lower than the previous rate of \$2.73 per deplanement. The decrease is due to an expected increase in passenger traffic.
- Common-Use Outbound Baggage System Rate – \$9.85 per enplanement, which is higher than the previous rate of \$8.79 per enplanement. The increase is primarily due to higher O&M and full-year implementation of Midfield Satellite Concourse Outbound Baggage System space.
- Common-Use Ticket Counter Rate – \$0.62 per enplanement, which is lower than the previous rate of \$0.73 per enplanement. The decrease is due to an expected increase in passenger traffic; and

WHEREAS, staff requested Board approval of the rates and charges in said Attachments A through C, attached hereto and made part hereof, 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 2023 Amended and Restated 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; and

WHEREAS, the Terminal Building Rate pursuant to the Rate Agreement, is \$275.63 psfpy, 16.1% higher than the previous rate of \$237.43 psfpy. The rate increase is primarily due to increased terminal O&M expenses; and

WHEREAS, the FIS Fee for Rate Agreement carriers is \$14.20 per deplaned international passenger, 16.6% lower than the previous rate of \$17.03. The rate decrease is mainly due to an expected increase in passenger traffic; and

WHEREAS, Attachment A includes the equalized, common-use rates to be charged to the Rate Agreement carriers, briefly discussed as follows:

- (1) Common-Use Holdroom Rate – \$1,088.10 per class 4 turn (which includes the following aircraft types: B757-300, B767, and B787, as defined in the Amended Rate Methodology), which is higher than the previous rate of \$925.54 per class 4 turn. The increase is primarily due to the modification to include the Common-Use Loading Bridge O&M and capital expenses in the Holdroom requirement.
- (2) Common-Use Domestic Baggage Claim Rate – \$2.61 per deplanement, which is lower than the previous rate of \$2.69 per deplanement. The decrease is due to an expected increase in passenger traffic.

- (3) Common-Use Outbound Baggage System Rate – \$9.70 per enplanement, which is higher than the previous rate of \$8.52 per enplanement. The increase is primarily due to higher O&M and full-year implementation of Midfield Satellite Concourse Outbound Baggage System space
- (4) Common-Use Ticket Counter Rate – \$0.60 per enplanement, which is lower than the previous rate of \$0.69 per enplanement. The decrease is due to an expected increase in passenger traffic.

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, staff requested Board approval of use of the Fiscal Year 2023-2024 Tariff Terminal Buildings Rate in effect under the Tariff, pursuant to the Amended Rate Methodology and 2023 ARRA for agreements covering non-aeronautical use of LAX passenger terminals; and

WHEREAS, staff requested Board approval of a Fiscal Year 2023-2024 charge for terminal utilities at the rate of \$8.30 psfpy, comprising \$6.46 psfpy, \$0.96 psfpy, and \$0.88 psfpy for electricity, water, and gas, respectively. 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 2023-2024, concession spaces are estimated to occupy 5.6% of terminal usable square footage. The equivalent per-usage rates are \$0.2586 per kWh, \$12.2143 per HCF, and \$1.3203 per Therm for electric, water, and gas, respectively; 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. Staff requested Board approval of a separate Concessions Storage Rate at \$256.49 psfpy. Said rate represents an escalation of 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 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 amended 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 2023-2024 Passenger Terminal Rates and Charges for the period beginning July 1, 2023 through June 30, 2024, based on the Amended Rate Methodology for: [a] the Los Angeles International Airport Passenger Terminal Tariff, as amended, and (b) the 2023 Amended and Restated Rate Agreement; further approved use of the Fiscal Year 2023-2024 Terminal Buildings Rate based on the Amended Rate Methodology and the 2023 Amended and Restated Rate Agreement for agreements covering: [a] non-aeronautical use of the Los Angeles International Airport passenger terminals as such agreements' rental rate; and [b] concessions agreements covering use of passenger terminal space as such agreements' rental rate; further approved the Fiscal Year 2023-2024 per-square-foot charge for utilities at the passenger terminal buildings for the period from July 1, 2023 through June 30, 2024, as detailed in this Resolution; further approved the Concessions Storage Rate for concessions agreements covering use of

passenger terminal space at such agreements' concessions storage rental rate; further approved rescission of Resolution 27517, thereby canceling the terminal rates and other charges set by the Board of Airport Commissioners for the period ending June 30, 2023; and authorized the Chief Executive Officer, or designee, to adjust the Fiscal Year 2023-2024 Passenger Terminal Rates and Charges as necessary to correct clerical or calculation errors and as referenced in this Resolution, upon approval as to form by the City Attorney.

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I hereby certify that this Resolution No. 27770 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

Attachments:

- A: *Terminal Rates and Charges FY 2024 Budget*
- B: *Terminal Building Rates*
- C: *FIS Rates*

Los Angeles World Airports
Los Angeles International Airport
Terminal Rates and Charges
FY 2024 Budget

Attachment A

	Passenger Tariff	Rate Agreement
Terminal Buildings Rate per sqft per year	\$ 280.93	\$ 275.63
FIS Fee per deplaned international passenger	\$ 15.37	\$ 14.20
Common Use Rates -		
Common Use Holdroom Rates per full turn (T5, T6 68B, TBIT, MSC) -		
Aircraft class 1	\$ 3,049.09	\$ 2,992.27
Aircraft class 2	\$ 1,940.33	\$ 1,904.17
Aircraft class 3	\$ 1,385.95	\$ 1,360.12
Aircraft class 4	\$ 1,108.76	\$ 1,088.10
Aircraft class 5	\$ 887.01	\$ 870.48
Aircraft class 6	\$ 554.38	\$ 544.05
Common Use Baggage Claim System Rate per deplaned domestic passenge rate	\$ 2.63	\$ 2.61
Common Use Outbound Baggage System Rate per enplaned passenger	\$ 9.85	\$ 9.70
Common Use BMU Fee per enplaned passenger	\$ 2.31	\$ 2.12
Common Use Ticket Counter Rate per enplaned passenger (T1.5, T6, TBIT)	\$ 0.62	\$ 0.60
Terminal Special Charges-		
A. Custodial Rates		
Average Custodial Rate per sqft per year	\$ 16.91	\$ 16.91
<i>Custodial Charges for Common Use Areas -</i>		
a. Common Use Holdrooms (per enplaned passenger) (T5, TBIT, MSC)	\$ 0.38	\$ 0.38
b. Common Use Ticket Counters (per enplaned passenger) (T1.5, TBIT)	\$ 0.04	\$ 0.04
c. Common Use Baggage Claim Areas (per deplaned domestic passenger) (T1.5, T5, TBIT dom)	\$ 0.06	\$ 0.06
B. Equipment Maintenance and Capital Rates		
a. Terminal Airline Support System Rate per enplaned passenger (TBIT)	\$ -	\$ -
1. Terminal Airline Support System Special Charge for T1	\$ -	\$ -
2. Terminal Airline Support System Special Est. Charge for T2 & T3	\$ -	\$ -
b. Loading Bridge Rate - Maintenance (per full turn)-		
Aircraft class 1	\$ -	\$ -
Aircraft class 2	\$ -	\$ -
Aircraft class 3	\$ -	\$ -
Aircraft class 4	\$ -	\$ -
Aircraft class 5	\$ -	\$ -
Aircraft class 6	\$ -	\$ -
c. Loading Bridge Rate - Capital (per full turn)		
Aircraft class 1	\$ -	\$ -
Aircraft class 2	\$ -	\$ -
Aircraft class 3	\$ -	\$ -
Aircraft class 4	\$ -	\$ -
Aircraft class 5	\$ -	\$ -
Aircraft class 6	\$ -	\$ -
d. Loading Bridge Under Lease Capital Charge (per bridge per year)	\$ 52,270	\$ 52,270
		Other Rates
Specific per SQFT rate		
M&O Rate, UTC (Commuter & Other)		\$ 29.64
Concessions Storage Rate		\$ 256.49
Non-Aeronautical Utility Rates		
Electricity per sqft per year		\$ 6.46
Water per sqft per year		\$ 0.96
Gas per sqft per year		\$ 0.88
Combined Utility Rate per sqft per year		\$ 8.30
Electricity per kWh		\$ 0.2586
Water per HCF		\$ 12.2143
Gas per sqft per Therm		\$ 1.3203

Note-

For purposes of setting rates for the fiscal year months ended June 2024, LAWA has made certain assumptions based upon existing leases. Billing will be based on Leases/occupancy agreements in effect at the time of billing.

Exhibit 1

TERMINAL BUILDINGS RATES

Los Angeles International Airport

Attachment B

	Budget	Budget	Increase (Decrease)	
	FY 2024	FY 2023	Amount	%
TERMINAL BUILDINGS REQUIREMENT				
Unified Capital Requirement				
Debt Service	\$ 382,912,487	\$ 348,629,539	\$ 34,282,948	9.8%
Less: PFCs Used to Pay Debt Service	(130,192,724)	(129,883,601)	(309,123)	0.2%
Debt Service Net of PFCs	\$ 252,719,763	\$ 218,745,938	\$ 33,973,825	15.5%
Debt Service Coverage	45,630,172	38,592,432	7,037,740	18.2%
Amortization	116,783,106	122,575,009	(5,791,903)	-4.7%
Unified Capital Requirement	\$ 415,133,041	\$ 379,913,379	\$ 35,219,663	9.3%
O&M Requirement	428,223,031	361,787,410	66,435,621	18.4%
TERMINAL BUILDINGS REQUIREMENT	\$ 843,356,073	\$ 741,700,789	\$ 101,655,284	13.7%
Calculation of Tariff Terminal Buildings Rate				
Terminal Buildings Requirement	\$ 843,356,073	\$ 741,700,789	\$ 101,655,284	13.7%
Divided by: Rentable Area	3,001,982	3,002,279	(297)	0.0%
Tariff Terminal Buildings Rate per sqft	\$ 280.93	\$ 247.05	\$ 33.89	13.7%
Calculation of Rate Agreement Terminal Buildings Rate				
Terminal Buildings Requirement	\$ 843,356,073	\$ 741,700,789	\$ 101,655,284	13.7%
Less: Tier One Terminal Buildings Revenue Sharing	(2,044,000)	-	(2,044,000)	
Less: TRIF Funded Delayed Amortization	(13,864,461)	(28,878,350)	15,013,889	-52.0%
Net Terminal Buildings Requirement	\$ 827,447,612	\$ 712,822,439	\$ 114,625,173	13.9%
Divided by: Rentable Area	3,001,982	3,002,279	(297)	0.0%
Rate Agreement Terminal Buildings Rate	\$ 275.63	\$ 237.43	\$ 38.21	16.1%
Rate Agreement Terminal Buildings Rate per sqft	\$ 275.63	\$ 237.43	\$ 38.21	16.1%

**Exhibit 2
FIS RATES**

Attachment C

Los Angeles International Airport

	Budget	Budget	Increase (Decrease)	
	FY 2024	FY 2023	Amount	%
FIS REQUIREMENT				
Capital Costs				
Debt Service	\$ 81,551,466	\$ 64,886,836	\$ 16,664,629	25.7%
Less: PFCs Used to Pay Debt Service	-	-	-	
Debt Service Net of PFCs	\$ 81,551,466	\$ 64,886,836	\$ 16,664,629	25.7%
Debt Service Coverage	17,402,000	14,125,000	3,277,000	23.2%
Amortization	15,250,000	15,395,999	(145,998)	
Amortization Deferral Recovery	2,625,597	2,883,643	\$ (258,046)	-8.9%
Capital Costs	\$ 116,829,063	\$ 97,291,478	\$ 19,537,585	20.1%
O&M Expenses				
O&M Expenses (Prior Actual FY) allocated on basis of space	60,226,487	51,023,997	9,202,490	18.0%
Specific FIS O&M--Custodial	14,243,496	13,507,316	736,180	5.5%
Specific FIS O&M--Inbounds, Bag Carts, VSRs and APC	8,092,675	10,071,144	(1,978,469)	-19.6%
Less: Adjustment	(15,000,000)	(15,000,000)		
GROSS FIS REQUIREMENT	\$ 184,391,721	\$ 156,893,935	\$ 27,497,786	17.5%
Less: Rental revenue of space in FIS Areas from governmental agencies	-	-		
NET FIS REQUIREMENT	\$ 184,391,721	\$ 156,893,935	\$ 27,497,786	17.5%
Calculation of Tariff FIS Rate				
Net FIS Requirement	\$ 184,391,721	\$ 156,893,935	\$ 27,497,786	17.5%
Divided by: Deplaned International Passengers (forecast FY/actual FY)	12,000,000	8,462,209	3,537,791	41.8%
Tariff FIS Rate per deplaned international passenger	\$ 15.37	\$ 18.54	\$ (3.17)	-17.1%
Calculation of Rate Agreement FIS Rate				
Net FIS Requirement	\$ 184,391,721	\$ 156,893,935	\$ 27,497,786	17.5%
Less: Tier One FIS Concession Revenue	(11,825,000)	(8,309,000)	\$ (3,516,000)	42.3%
Less: TRIF Funded Delayed Amortization	(2,117,457)	(4,440,273)		
Net FIS Requirement	\$ 170,449,264	\$ 144,144,662	\$ 26,304,603	18.2%
Divided by: Deplaned International Passengers (forecast FY/actual FY)	12,000,000	8,462,209	3,537,791	41.8%
Rate Agreement FIS Rate	\$ 14.20	\$ 17.03	\$ (2.83)	-16.6%