



RESOLUTION NO. 27517

LAX
Van Nuys
City of Los Angeles

Eric Garcetti
Mayor

Board of Airport
Commissioners

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Justin Erbacci
Chief Executive Officer

WHEREAS, on recommendation of Management, there was presented for approval, Fiscal Year 2022-2023 Passenger Terminal Rates and Charges for Los Angeles International Airport, Attachments A-C hereto and made part hereof, for the period beginning July 1, 2022 through June 30, 2023, 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 Rate Agreements; and

WHEREAS, the COVID-19 pandemic negatively impacted both airport and airline operations. The decline in passenger traffic caused all "activity-based" rates and charges (e.g., landing fees, common-use charges, the Federal Inspection Services [FIS] rate, among others) to increase significantly. In response, Los Angeles World Airports (LAWA) successfully implemented the "Airline Cost Stability and Recovery Plan" (Plan) beginning in Fiscal Year (FY) 2020 to: (1) make Los Angeles International Airport (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, pursuant to said Plan, LAWA adopted and implemented the Amended Rate Methodology and Further Amended and Restated Rate Agreement (FARRA), and took over operations and maintenance and rate-setting responsibilities for the common-use facilities previously managed by the Tom Bradley International Terminal Equipment Company (TBITEC); and

WHEREAS, as aeronautical activities continue to recover, the cost reduction and deferral measures undertaken as part of the Plan in previous budget years have abated for FY2023. While no further debt restructurings or deferrals are contemplated, approximately \$35 million of mitigations remain to help stabilize the activity-based rates, subject to adjustment should conditions further improve; and

WHEREAS, in accordance with the LAX Passenger Terminal Tariff (Tariff) and Amended Rate Methodology, rates and charges for use of passenger terminal space and equipment at LAX are set each fiscal year. These 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 the operations and maintenance of Terminals 1 through 8, the Tom Bradley International Terminal, Bradley West Gates, and other passenger terminal-related areas. The Rate Agreement, which was approved by the Board of Airport Commissioners (Board) in September 2012, and amended and restated in December 2019, and further amended in June 2021, modifies the Tariff rates and charges established each fiscal year for airlines that are signatories to the Rate Agreement; and

WHEREAS, the airline rates and charges included the following major modifications and common-use costs:

• Rate Mitigation

While passenger traffic is forecasted to reach 38 million enplaned passengers, a 73% increase from the FY2021-2022 forecast of 22 million, the rates and charges still reflected higher than expected increases in common-use charges. To effect a steady increase in common-use rates,



LAWA budgeted \$35 million in mitigations pursuant to the Methodology to the FIS, common use holdroom, and baggage system operations and maintenance requirements.

- Debt Restructuring

No further debt amounts are to be restructured to reduce the FY2022-2023 debt service.

- Revenue Sharing

Approximately \$8 million in the FIS Tier-One concessions revenue sharing is budgeted for FY2022-2023. This provided credit and reduced the FIS requirement used to calculate the FIS rate to be charged to signatory airlines. FIS Tier-One concessions revenue sharing represent 25% of revenues received from duty free and foreign exchange concessions at the airport. Staff are estimating that no Tier-Two terminal cash flow revenue sharing will be available in FY2022-2023. Tier Two revenue sharing is calculated based on net cash flow in excess of the Terminal Renewal and Improvement Fund established in the Rate Agreement.

- TBITEC Common Use Services

The FY2022-2023 rates include TBITEC's budgeted operations and maintenance costs to support common use facilities and equipment, including baggage systems, passenger boarding bridges, and FIS areas. Prior to the transition, these costs were recovered by the airline consortium directly from the airlines. Now these costs are included in, and recovered through, LAX Rates and Charges; and

WHEREAS, by this Resolution, the Board approved the following actions for terminal rates and charges:

1. Rates and Charges based on the Amended Rate Methodology for [i] the Tariff and Agreements using the Tariff Rates and Charges Methodology, and [ii] the FARRA

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

Staff requested that the Board approve the rates and charges (Attachments A-C hereto and made part hereof) for use of demised and common-use passenger terminal space and equipment at LAX. The rates and charges 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 the 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;
- 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 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;

- 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;
- 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 is \$247.05 per square foot per year (psfpy), 6.6% higher than the current rate of \$231.76 psfpy. The rate increase is primarily due to the cessation of debt restructuring for FY2023.

The FIS Fee, pursuant to the Tariff, is \$18.54 per deplaned international passenger, and is 4.2% higher than the current rate of \$17.79. The rate increase is mainly due to the cessation of debt restructuring for FY2023.

The attached rates and charges list also include the following Tariff common-use rates applicable to common-use passenger terminal space and equipment:

- Common-Use Holdroom Rate – \$969.59 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 current rate of \$920.75 per class 4 turn. The increase is primarily due to the cessation of debt restructuring and lower COVID mitigations;
- Common-Use Baggage Claim Rate – \$2.73 per deplanement, which is lower than the current rate of \$5.26 per deplanement. The decrease is due to higher-than-expected passenger activity associated with common-use baggage claim devices;
- Common-Use Outbound Baggage System Rate – \$8.79 per enplanement, which is higher than the current rate of \$7.51 per enplanement. The increase is due to the additional baggage system space and higher O&M costs due to higher common-use activity and lower COVID-19 mitigation;
- Common-Use Ticket Counter Rate – \$0.73 per enplanement, which is higher than the current rate of \$0.29 per enplanement. The previous rate was a holdover rate and is not comparable to the current common-use ticket counter configuration and passenger pool for FY2023.

[ii] Rates and Charges for the FARRA

Staff requested that the Board approve the rates and charges (Attachments A-C 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 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 \$237.43 psfpy, 5.8 percent higher than the current rate of \$224.32 psfpy. The rate increase is primarily due to the cessation of debt restructuring for FY2023.

The FIS Fee for Rate Agreement carriers is \$17.03 per deplaned international passenger, 5.8% higher than the current rate of \$16.09. The rate increase is mainly due to the cessation of debt restructuring for FY2023.

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

- Common-Use Holdroom Rate – \$925.54 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 current rate of \$869.73 per class 4 turn. The decrease is primarily due to the cessation of debt restructuring and lower COVID mitigations;
- Common-Use Baggage Claim Rate – \$2.69 per deplanement, which is lower than the current rate of \$5.15 psfpy. The decrease is due to higher-than-expected passenger activity associated with common-use baggage claim devices;
- Common-Use Outbound Baggage System Rate – \$8.52 per enplanement, which is higher than the current rate of \$7.25 per enplanement. The increase is due to the additional baggage system space and higher O&M costs due to higher common-use activity and lower COVID-19 mitigation;
- Common-Use Ticket Counter Rate – \$0.69 per enplanement, which is higher than the current rate of \$0.26 per enplanement. The previous rate was a holdover rate and is not comparable to the current common-use ticket counter configuration and passenger pool for FY2023.

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.

2. FY2023 Rates and Charges for the Amended and Restated Rate Agreement

Certain carriers that are signatories to the Amended and Restated Agreement were unable to meet the deadline to submit their signed FARRA due to low staffing and long lead times resulting from the COVID-19 pandemic. Therefore, staff requested that the Board authorize the Chief Executive Officer, or designee, to approve use of the FY2022-2023 FARRA rates for signatories of the Amended and Restated Rate Agreement.

3. Terminal Buildings Rate for Non-Aeronautical Use

Staff requested that the Board approve use of the FY2022-2023 Tariff Terminal Buildings Rate in effect under the Tariff for agreements covering non-aeronautical use of LAX passenger terminals.

4. Per-Use Charge for Utilities

Staff requested that the Board approve an FY2022-2023 per-use charge for terminal utilities at the rate of \$7.49 psfpy, comprising \$5.92 psfpy, \$0.78 psfpy, and \$0.79 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 FY2022-2023, concession spaces are estimated to occupy 5.64% of terminal usable square footage. The equivalent per-usage rates are \$0.2435 per kWh, \$11.4304 per HCF, and \$0.9322 per Therm for electric, water, and gas, respectively.

5. Concessions Storage Rate

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 that the Board approve a separate Concessions Storage Rate at \$247.05 psfpy. This 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.

6. Resolution 27279

Staff requested that the Board rescind Resolution 27279. The rates established through said resolution have been superseded by the rates and charges presented for approval in this Resolution.

7. Adjustments to Terminal Charges

Staff requested that the Board authorize the Chief Executive Officer, or designee, to adjust the Terminal Charges as necessary to correct clerical or calculation errors upon approval as to form by the City Attorney; 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 2022-2023 Passenger Terminal Rates and Charges for Los Angeles International Airport, Attachments A-C hereto and made part hereof, for the period beginning July 1, 2022 through June 30, 2023, based on the Amended Rate Methodology for: [a] the Los Angeles International Airport Passenger Terminal Tariff, as amended, and [b] the Further Amended and Restated Rate Agreements; further approved the Fiscal Year 2022-2023 Passenger Terminal Rates and Charges for Los Angeles International Airport, Attachments A-C hereto and made part hereof, for the period beginning July 1, 2022 through June 30, 2023, based on the Amended Rate Methodology for the Amended and Restated Rate Agreement; further approved use of the Fiscal Year 2022-2023 Terminal Buildings Rate 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 2022-2023 per-square foot charge for utilities at the passenger terminal buildings for the period from July 1, 2022 to June 30, 2023; further approved the Concessions Storage Rate for concessions agreements covering use of passenger terminal space as such agreements' concessions storage rental rate; further approved rescission of Resolution 27279, thereby canceling the terminal rates and other charges set by the Board for the period ending June

30, 2022; and authorized the Chief Executive Officer, or designee, to adjust the Fiscal Year 2022-2023 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. 27517 is true and correct, as adopted by the Board of Airport Commissioners at its Regular Meeting held on Thursday, June 2, 2022.



Grace Miguel Secretary
BOARD OF AIRPORT COMMISSIONERS

Attachments:
(A-C) Terminal Rates & Charges for July 1, 2022 – June 30, 2023

Los Angeles World Airports
Los Angeles International Airport
Terminal Rates and Charges
FY 2023 Budget

Attachment A

	Passenger Tariff	Rate Agreement
Terminal Buildings Rate per sqft per year	\$ 247.05	\$ 237.43
FIS Fee per deplaned international passenger	\$ 18.54	\$ 17.03
Common Use Rates -		
Common Use Holdroom Rates per full turn (T5, T6 68B, TBIT, MSC) -		
Aircraft class 1	\$ 2,666.37	\$ 2,545.25
Aircraft class 2	\$ 1,696.78	\$ 1,619.70
Aircraft class 3	\$ 1,211.99	\$ 1,156.93
Aircraft class 4	\$ 969.59	\$ 925.54
Aircraft class 5	\$ 775.67	\$ 740.44
Aircraft class 6	\$ 484.79	\$ 462.77
Common Use Baggage Claim System Rate per deplaned domestic passenger rate	\$ 2.73	\$ 2.69
Common Use Outbound Baggage System Rate per enplaned passenger	\$ 8.79	\$ 8.52
Common Use BMU Fee per enplaned passenger	\$ 2.31	\$ 2.12
Common Use Ticket Counter Rate per enplaned passenger (T1.5, T6, TBIT)	\$ 0.73	\$ 0.69
Terminal Special Charges-		
A. Custodial Rates		
Average Custodial Rate per sqft per year	\$ 16.14	\$ 16.14
<i>Custodial Charges for Common Use Areas -</i>		
a. Common Use Holdrooms (per enplaned passenger) (T5, TBIT, MSC)	\$ 0.44	\$ 0.44
b. Common Use Ticket Counters (per enplaned passenger) (T1.5, TBIT)	\$ 0.05	\$ 0.05
c. Common Use Baggage Claim Areas (per deplaned domestic passenger) (T1.5, T5, TBIT dom)	\$ 0.04	\$ 0.04
B. Equipment Maintenance and Capital Rates		
a. Terminal Airline Support System Rate per enplaned passenger (TBIT)	\$ 0.23	\$ 0.23
1. Terminal Airline Support System Special Charge for T1		\$ 138,390.62
2. Terminal Airline Support System Special Est. Charge for T2 & T3		\$ 321,816.27
b. Loading Bridge Rate - Maintenance (per full turn)-		
Aircraft class 1	\$ 262.91	\$ 262.91
Aircraft class 2	\$ 167.31	\$ 167.31
Aircraft class 3	\$ 119.51	\$ 119.51
Aircraft class 4	\$ 95.61	\$ 95.61
Aircraft class 5	\$ 76.48	\$ 76.48
Aircraft class 6	\$ 47.80	\$ 47.80
c. Loading Bridge Rate - Capital (per full turn)		
Aircraft class 1	\$ 187.28	\$ 187.28
Aircraft class 2	\$ 119.18	\$ 119.18
Aircraft class 3	\$ 85.13	\$ 85.13
Aircraft class 4	\$ 68.10	\$ 68.10
Aircraft class 5	\$ 54.48	\$ 54.48
Aircraft class 6	\$ 34.05	\$ 34.05
d. Loading Bridge Under Lease Capital Charge (per bridge per year)	\$ 52,000	\$ 52,000
		Other Rates
Specific per SQFT rate		
M&O Rate, UTC (Commuter & Other)		\$ 22.17
Concessions Storage Rate		\$ 247.05
Non-Aeronautical Utility Rates		
Electricity per sqft per year		\$ 5.92
Water per sqft per year		\$ 0.78
Gas per sqft per year		\$ 0.79
Combined Utility Rate per sqft per year		\$ 7.49
Electricity per kWh		
Water per HCF		\$ 0.2435
Gas per sqft per Therm		\$ 11.4304
		\$ 0.9322

Note-

For purposes of setting rates for the fiscal year months ended June 2023, 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 2023	FY 2022	Amount	%
TERMINAL BUILDINGS REQUIREMENT				
Unified Capital Requirement				
Debt Service	\$ 348,629,539	\$ 353,690,077	\$ (5,060,538)	-1.4%
Less: Debt Service Restructured	-	(43,107,916)		
Less: PFCs Used to Pay Debt Service	(129,883,601)	(97,507,062)	(32,376,540)	33.2%
Debt Service Net of PFCs	\$ 218,745,938	\$ 213,075,100	\$ 5,670,838	2.7%
Debt Service Coverage	38,592,432	41,202,030	(2,609,599)	-6.3%
Amortization	122,575,009	105,708,041	16,866,968	16.0%
Unified Capital Requirement	\$ 379,913,379	\$ 359,985,171	\$ 19,928,207	5.5%
O&M Requirement	361,787,410	335,681,108	26,106,303	7.8%
TERMINAL BUILDINGS REQUIREMENT	\$ 741,700,789	\$ 695,666,279	\$ 46,034,510	6.6%
Calculation of Tariff Terminal Buildings Rate				
Terminal Buildings Requirement	\$ 741,700,789	\$ 695,666,279	\$ 46,034,510	6.6%
Divided by: Rentable Area	3,002,279	3,001,614	664	0.0%
Tariff Terminal Buildings Rate per sqft	\$ 247.05	\$ 231.76	\$ 15.28	6.6%
Calculation of Rate Agreement Terminal Buildings Rate				
Terminal Buildings Requirement	\$ 741,700,789	\$ 695,666,279	\$ 46,034,510	6.6%
Less: Tier One Terminal Buildings Revenue Sharing	-	-	-	
Less: TRIF Funded Delayed Amortization	(28,878,350)	(22,343,672)	(6,534,677)	29.2%
Net Terminal Buildings Requirement	\$ 712,822,439	\$ 673,322,607	\$ 39,499,832	5.5%
Divided by: Rentable Area	3,002,279	3,001,614	664	0.0%
Rate Agreement Terminal Buildings Rate	\$ 237.43	\$ 224.32	\$ 13.11	5.8%
Rate Agreement Terminal Buildings Rate per sqft	\$ 237.43	\$ 224.32	\$ 13.11	5.8%

**Exhibit 2
FIS RATES**

Attachment C

Los Angeles International Airport

	Budget	Budget	Increase (Decrease)	
	FY 2023	FY 2022	Amount	%
FIS REQUIREMENT				
Capital Costs				
Debt Service	\$ 64,886,836	\$ 62,083,938	\$ 2,802,898	4.5%
Less: Debt Service Restructured	-	(50,731,629)	-	
Less: PFCs Used to Pay Debt Service	-	-	-	
Debt Service Net of PFCs	\$ 64,886,836	\$ 11,352,309	\$ 53,534,527	471.6%
Debt Service Coverage	14,125,000	2,509,000	11,616,000	463.0%
Amortization				
Amortization Deferral Recovery	15,395,999	-	15,395,999	
Capital Costs	2,883,643	1,415,421	\$ 1,468,222	103.7%
	\$ 97,291,478	\$ 15,276,731	\$ 82,014,747	536.9%
O&M Expenses				
O&M Expenses (Prior Actual FY) allocated on basis of space	51,023,997	44,829,908	6,194,089	13.8%
Specific FIS O&M--Custodial	13,507,316	19,020,479	(5,513,162)	-29.0%
Specific FIS O&M--Inbounds, Bag Carts, VSRs and APC	10,071,144	8,883,219	1,187,924	13.4%
Less: COVID 19 Mitigation	(15,000,000)	-	-	
GROSS FIS REQUIREMENT	\$ 156,893,935	\$ 88,010,337	\$ 68,883,598	78.3%
NET FIS REQUIREMENT	\$ 156,893,935	\$ 88,010,337	\$ 68,883,598	78.3%
Calculation of Tariff FIS Rate				
Net FIS Requirement	\$ 156,893,935	\$ 88,010,337	\$ 68,883,598	78.3%
Divided by: Deplaned International Passengers (forecast FY/actual FY)	8,462,209	4,947,086	3,515,123	71.1%
Tariff FIS Rate per deplaned international passenger	\$ 18.54	\$ 17.79	\$ 0.75	4.2%
Calculation of Rate Agreement FIS Rate				
Net FIS Requirement	\$ 156,893,935	\$ 88,010,337	\$ 68,883,598	78.3%
Less: Tier One FIS Concession Revenue	(8,309,000)	(8,420,000)	\$ 111,000	-1.3%
Less: TRIF Funded Delayed Amortization	(4,440,273)	-	-	
Net FIS Requirement	\$ 144,144,662	\$ 79,590,337	\$ 64,554,325	81.1%
Divided by: Deplaned International Passengers (forecast FY/actual FY)	8,462,209	4,947,086	3,515,123	71.1%
Rate Agreement FIS Rate	\$ 17.03	\$ 16.09	\$ 0.95	5.9%