



RESOLUTION NO. 26924

BE IT RESOLVED that, on recommendation of Management, the Board of Airport Commissioners approved the Calendar Year 2020 Passenger Terminal Charges 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 Rate Agreement, as referenced in the Board-adopted staff report attached hereto and made part hereof; and

LAX

Van Nuys

City of Los Angeles

Eric Garcetti
Mayor

Board of Airport
Commissioners

Sean O. Burton
President

Valeria C. Velasco
Vice President

Gabriel L. Eshaghian
Beatrice C. Hsu
Nicholas P. Roxborough
Dr. Cynthia A. Telles
Karim Webb

Deborah Flint
Chief Executive Officer

BE IT FURTHER RESOLVED that said Board approved use of the Calendar Year 2020 Terminal Building Rate for agreements covering non-aeronautical use of the Los Angeles International Airport passenger terminals as such agreements' rental rate; and

BE IT FURTHER RESOLVED that said Board approved the Calendar Year 2020 per use charge for utilities at the passenger terminal buildings, as referenced in said Board-adopted staff report attached hereto and made part hereof; and

BE IT FURTHER RESOLVED that said Board approved the Calendar Year 2020 Concessions Storage Rate for concession agreements covering use of passenger terminal space as such agreement's concessions storage rental rate; and

BE IT FURTHER RESOLVED that said Board approved rescission of Resolution 26659; and

BE IT FURTHER RESOLVED that said Board authorized the Chief Executive Officer to adjust the Terminal Charges as necessary to correct clerical or calculation errors and as referenced in said Board-adopted staff report attached hereto and made part hereof, upon approval as to form by the City Attorney; and

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

BE IT FURTHER RESOLVED that this action is subject to the provisions of Los Angeles City Charter Sections 245.

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I hereby certify that this Resolution No. 26924 is true and correct, as adopted by the Board of Airport Commissioners at its Regular Meeting held on Thursday, December 19, 2019.

Grace Miguel Secretary
BOARD OF AIRPORT COMMISSIONERS





Los Angeles World Airports

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REPORT TO THE BOARD OF AIRPORT COMMISSIONERS

Approved by: Nerida Esguerra-Olivares
Acting Chief Financial Officer

Reviewed by: Justin Erbacci
Chief Operating Officer

City Attorney

Deborah Flint – Chief Executive Officer

Meeting Date:

12/19/2019

CAO Review:

- Completed
- Pending
- N/A

Reviewed for	Date	Approval Status	By
Finance	12/4/2019	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> NA	RW
CEQA	11/26/19	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N	PI
Procurement	11/27/2019	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> Cond	MJ
Guest Experience	12/3/2019	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N	BY
Strategic Planning	11/26/19	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> NA	KV

SUBJECT: CY 2020 Terminal Charges at Los Angeles International Airport

Approval of Passenger Terminal Rates and Charges for CY 2020 for Los Angeles International Airport for (i) the Los Angeles International Airport Passenger Terminal Tariff, as amended, (ii) agreements for the use of passenger terminal space and equipment using the Tariff rates and charges methodology, and (iii) the Rate Agreement and Rescission of Resolution No. 26659.

RECOMMENDATIONS:

Management RECOMMENDS that the Board of Airport Commissioners:

1. ADOPT the Staff Report.
2. DETERMINE that this action is categorically exempt from the California Environmental Quality Act (CEQA) pursuant to Article III, Class 1 (31) of the Los Angeles City CEQA Guidelines.
3. APPROVE Terminal Charges for CY 2020 for (i) the Los Angeles International Airport Passenger Terminal Tariff, as amended, (ii) agreements for the use of passenger terminal space and equipment using the Tariff rates and charges methodology, and (iii) the Rate Agreement.
4. APPROVE the use of the CY 2020 Terminal Buildings Rate for agreements covering non-aeronautical use of the Los Angeles International Airport passenger terminals as such agreements' rental rate.

5. APPROVE the CY 2020 per use charge for utilities at the passenger terminal buildings, as detailed in the staff report.
6. APPROVE the CY 2020 Concessions Storage Rate for concessions agreements covering the use of passenger terminal space as such agreement's concessions storage rental rate.
7. RESCIND Resolution No. 26659.
8. AUTHORIZE the Chief Executive Officer to adjust the Terminal Charges as necessary to correct clerical or calculation errors and as referenced in this report upon approval as to form by the City Attorney.

DISCUSSION:

1. Purpose

Establish terminal rates and charges for use of passenger terminal space and equipment at Los Angeles International Airport (LAX) for CY 2020. These rates are effective until rescinded and new rates are adopted by the Board.

2. Prior Related Actions

- September 17, 2012 - Resolution No. 24912
The Board approved a new methodology for establishing rates and charges for use of passenger terminal facilities at LAX, pursuant to Tariff, as amended.
- September 17, 2012 - Resolution No. 24913
The Board approved Revision No. 5 of the Tariff to amend (1) certain definitions, and (2) the fees and charges section to incorporate a new rate methodology, effective January 1, 2013.
- September 17, 2012 - Resolution No. 24914
The Board approved a blanket resolution authorizing the Executive Director or his or her designee to enter into binding rate agreements with airlines and approved airline consortiums using passenger terminals at LAX.
- December 6, 2018 - Resolution No. 26659
The Board approved the CY 2019 Los Angeles International Airport Terminal Charges, for (i) the Los Angeles International Airport Passenger Terminal Tariff, as amended, (ii) agreements for the use of passenger terminal space with Tariff rates and charges terms, and (iii) the Rate Agreement.

3. Current Action

In accordance with the Los Angeles International Airport (LAX) Passenger Terminal Tariff, as amended (Tariff), rates and charges for the use of passenger terminal space and equipment at LAX are set each calendar year. These rates and charges are set pursuant to the rate-setting methodology outlined in the Tariff which is based on recovery of capital

investments and actual incurred and accrued expenses associated with the operations and maintenance of Terminals One through Eight, Tom Bradley International Terminal (TBIT) and other passenger terminal related areas. The Rate Agreement, which was approved by the Board in September 2012, amends Tariff rates and charges for airlines that are signatories to such agreement, and are also set each calendar year.

Staff coordinated with various LAWA divisions, including the Commercial Development Group, as well as the Airline Rates & Charges Liaison to develop the cost and space assumptions used to calculate the terminal rates. Staff then presented the resulting proposed rates and charges to the LAX Airline Airport Affairs Committee (AAAC) on November 14, 2019. Airline representatives were also provided the rates and charges supporting calculations.

How this action advances a specific strategic plan goal and objective

This action advances this strategic goal and objective: *Sustain a Strong Business: Diversify and grow revenue sources, and manage costs.*

This action adopts the terminal rates and charges to be implemented in CY 2020 that allows for the recovery of both operating and capital costs incurred and allocated to the Terminal Cost Center. These charges ensure funding to support LAX operations and capital investments intended to improve and modernize LAX. Revenues from terminal rates and charges account for about 50% of LAX's aeronautical revenue sources.

This action advances this strategic goal and objective: *Deliver Facilities & Guest Experiences that are Exceptional: Develop, maintain and operate first class facilities.* The adoption of terminal rates will provide the revenue sources to provide partial funding for various terminal projects that allows LAWA to 1) deliver first class terminal facilities, 2) enhance LAX terminal gates and passenger hold rooms, and 3) elevate the guest experience through modernized terminals.

Action Requested

Rates and Charges for the Tariff and Agreements using the Tariff Rates and Charges Methodology

Staff requests the Board approve the attached rates and charges for use of passenger terminal space and equipment at LAX calculated in accordance with the Tariff rate methodology approved by the Board in September 2012. The attached rates and charges shall be applicable to terminal users subject to the Tariff, and for agreements that use the Tariff rates and charges terms and/or methodology.

The calculated Terminal Buildings Rate pursuant to Tariff rate methodology for CY 2020 is \$213.51 per square foot per year (psfpy), higher by \$16.88, 8.6% from the CY 2019 rate of \$196.63 psfpy. The increased rate is primarily due to: 1) higher capital project costs supporting the Midfield Satellite Concourse ("MSC"), T6/7/8 Terminal Renovation Project, and North Terminal Improvement Program, and; 2) amortization from existing projects that do not benefit from the Terminal Renewal and Improvement Fund ("TRIF") including the MSC, Terminal 4 acquisition, Terminal 4 Connector, and Bradley West Interior Enhancements, and; 3) increased maintenance and operating expenses to support new

facilities expected to open in 2020. The addition of MSC rentable square footage mitigated the increase of the Terminal Building Rate.

FIS Fee pursuant to Tariff for CY 2020 is \$13.60 per deplaned international passenger. The rate is higher by 7.3% compared with the CY 2019 rate of \$12.67 per deplaned international passenger mainly due to higher capital costs described above. International passenger activity, based upon FY 2019 actual statistics and airline projections, is expected to rise 2.1% from CY 2018.

The following are the types of rates and charges established under the current Tariff rate methodology:

- 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 estimated baggage claim requirement, which is 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 baggage system requirement, which is 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 - Charges for certain equipment and services that LAWA provides in certain Terminals. These include charges for:
 - o Custodial Services
 - o Outbound Baggage System Maintenance
 - o Terminal Airline Support Systems
 - o Loading Bridge Capital and Maintenance

The attached rates and charges list also includes the rates for agreements that use the Tariff methodology to calculate specific terminal rates.

Rates and Charges for the Rate Agreement

Staff requests the Board approve the attached rates and charges for use of passenger terminal space and equipment at LAX calculated in accordance with the Rate Agreement. The attached Rate Agreement rates and charges shall be applicable to airlines and airline

consortiums that are signatories to the Rate Agreement. The proposed 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 for CY 2020 is \$196.67 psfpy, an increase of \$5.84 psfpy, 3.1% from CY 2019 rate of \$190.83 psfpy. The increased rate is primarily due to: 1) higher capital project costs supporting the Midfield Satellite Concourse, T6/7/8 Terminal Renovation Project, and North Terminal Improvement Program, and; 2) increased maintenance and operating expenses to support new facilities expected to open in 2020. The addition of MSC rentable square footage as well as increased Tier One concession revenue sharing mitigated the increase of the Rate Agreement Rate.

FIS Fee for Rate Agreement carriers for CY 2020 increased to \$11.15 from \$10.70 per deplaned international passenger in CY 2019.

The above recommended rates, along with other airline charges at LAX are projected to result in airline Cost per Enplanement (CPE) of about \$17.42 from \$16.52 in FY 2019. This level of CPE is within the range of CPEs for comparable airports that include Denver International Airport (DEN) at \$10.73, San Francisco International Airport (SFO) at \$16.32 and Miami International Airport (MIA) at \$19.20. CPEs are expected to increase at many other airports undertaking major capital projects. The 3.1% increase in LAX's CY 2020 terminal rate is not expected to materially impact LAX's competitive position relative to other large hub airports.

Where applicable, after the close of each calendar year, LAWA will recalculate the rates and charges as set forth 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.

Terminal Buildings Rate for Non-Aeronautical Use

Staff requests the Board approve the CY 2020 Tariff Terminal Buildings Rate for agreements covering non-aeronautical use of LAX passenger terminals as such agreements' rental rate.

Per Use Charge for Utilities

Staff requests the Board approve the CY 2020 per use charge for utilities, as follows:

Electricity - \$0.2179 per KWH
Water - \$9.6474 per HCF
Gas - \$0.3861 per Therm

The per use utilities charges are calculated using actual FY 2019 terminal utilities costs with a 5% escalation. Electricity and gas rates include a 15% administrative charge. The CY 2020 utility charges are 2.9% lower for water, 7.3% higher for electricity, and 26.9% higher for gas. The increase in gas rates reflects a temporary shift in consumption towards more expensive "core" gas (predominantly for the Central Utility Plant (CUP) boilers, but not for cogeneration) from "non-core" gas (for CUP cogeneration) during FY 2019. Core gas service is provided to locations with average monthly consumption of less than 20,800 therms including the CUP boilers. CUP boilers were used extensively for terminal heating in the winter of FY 2019 due to emissions control problems with the more efficient

cogeneration turbine generators (fueled by non-core gas). Those problems have been corrected, and the use of core gas so far in FY 2020 has been reduced. These charges apply to agreements covering non-aeronautical use of LAX passenger terminals as such agreements' utilities rates.

Concessions Storage Rate

Concessionaires must rent storage space to meet health and safety requirements as well as store inventory for customer demand. Staff requests that the Board approve a separate CY 2020 Concessions Storage Rate at \$203.04 psfpy. This rate is the result of the escalation of the previous board approved Terminal Buildings Tariff Rate (\$196.63 psfpy) by the lesser of: 1) the annual change in Consumer Price Index (CPI) 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.

The July CPI index for the Los Angeles-Long Beach-Anaheim statistical area (the successor index to the Los Angeles-Riverside-Orange County Area) increased by 3.26% over 2019. This is less than the increase of the Terminal Buildings Tariff Rate by 8.6% to \$213.51 psfpy from the CY 2019 rate of \$196.63 psfpy.

Commercial development staff will periodically review space demand at regular intervals for storage and support spaces to identify and relocate concessions storage in favor of Tariff or Rate Agreement paying tenants wherever possible.

Resolution No. 26659

Staff requests the Board rescind Resolution No. 26659. The rates established through this Resolution have been superseded by the CY 2020 rates and charges presented for approval in the same staff report.

Adjustments to Terminal Charges

Staff requests the Board authorize the Chief Executive Officer to adjust the Terminal Charges as necessary to correct clerical or calculation errors upon approval as to form by the City Attorney.

Fiscal Impact

Approval of the CY 2020 passenger terminal rates and charges for LAX (i) the Los Angeles International Airport Passenger Terminal Tariff, as amended, (ii) agreements for the use of passenger terminal space and equipment with Tariff rates and charges terms and (iii) the Rate Agreement, results in increased revenues estimated at \$530 million in CY 2020. This is higher by \$30 million or 6% from estimated revenues of \$500 million in CY 2019 mainly due to the higher recovery of terminal capital costs.

These rates were based on a methodology, agreed to by the passenger airlines operating at LAX, for calculating rates and charges at the terminals which provide LAWA a sustainable and predictable revenue source capable of supporting the significant level of capital investments planned in the terminals in the future. Cost per enplanement, which remains in

line with large hub airports at approximately \$16.52 per enplanement in FY 2019, is forecasted to rise to approximately \$17.42 per passenger in FY 2020.

4. Alternatives Considered

- ***Foregoing the adoption of terminal rates***

LAWA is charged by federal law to be as self-sustaining as possible which allows LAWA to charge terminal users to the extent possible for all costs incurred in operating and maintaining LAX facilities and to recover those costs without unjust discrimination. The rates adopted under the LAX Passenger Terminal Tariff meet this standard.

The Rate Agreement rates are calculated pursuant to the agreement entered into between the LAX passenger airlines and LAWA and could not be changed except by mutual agreement.

APPROPRIATIONS:

This action does not require appropriations.

STANDARD PROVISIONS:

1. Establishment or modification of any rate, fee or charge is categorically exempt from California Environmental Quality Act (CEQA) requirements pursuant to Article III, Class 1 (31) of the Los Angeles City CEQA Guidelines.
2. This item has been reviewed by the City Attorney.
3. 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.
4. This action is not subject to the provisions of the Service Contractor Worker Retention and Living Wage Ordinances.
5. This action is not subject to the provisions of the Small Business Enterprise, Local Business Enterprise/Small Local Business Enterprise, and Disabled Veterans Business Enterprise Programs.
6. This action is not subject to the provisions of the Affirmative Action Program.
7. This action does not require a Business Tax Registration Certificate.
8. This action is not subject to the provisions of the Child Support Obligations Ordinance.
9. This action is not subject to the insurance requirements of the Los Angeles World Airports.
10. This action is not subject to the provisions of City Charter Section 1022 (Use of Independent

Contractors).

11. This action is not subject to the provisions of the Contractor Responsibility Program.
12. This action is not subject to the provisions of the Equal Benefits Ordinance.
13. This action is not subject to the provisions of the First Source Hiring Program.
14. This action is not subject to the provisions of Bidder Contributions CEC Form 55.
15. This action is not subject to the provisions of the Iran Contracting Act.

Attachment A:

CY 2020 Terminal Rates and Charges

Los Angeles World Airports
Los Angeles International Airport
Terminal Rates and Charges
Calendar Year 2020

Attachment A

	Passenger Tariff	Rate Agreement
Terminal Buildings Rate per sqft per year	\$ 213.51	\$ 196.67
FIS Fee per deplaned international passenger	\$ 13.60	\$ 11.15
Common Use Rates -		
Common Use Holdroom Rates per full turn (T6 68B, TBIT) -		
Aircraft class 1	\$ 2,115.70	\$ 1,970.66
Aircraft class 2	\$ 1,410.47	\$ 1,313.77
Aircraft class 3	\$ 1,057.85	\$ 985.33
Aircraft class 4	\$ 881.54	\$ 821.11
Aircraft class 5	\$ 705.23	\$ 656.89
Aircraft class 6	\$ 528.93	\$ 492.66
- "Holdroom Cap" per year for Rate Agreement		\$ 1,318,490
Common Use Baggage Claim System Rate per deplaned domestic passenger rate	\$ 3.61	\$ 3.33
Common Use Outbound Baggage System Rate per enplaned passenger	\$ 2.70	\$ 2.26
Common Use BMU Fee per enplaned passenger	\$ 2.31	\$ 2.12
Common Use Ticket Counter Rate per enplaned passenger (T6, TBIT)	\$ 0.33	\$ 0.31
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) (TBIT excl Bwest)	\$ 0.70	\$ 0.70
b. Common Use Ticket Counters (per enplaned passenger) (TBIT)	\$ 0.03	\$ 0.03
c. Common Use Baggage Claim Areas (per deplaned domestic passenger) (TBIT domestic)	\$ 0.38	\$ 0.38
B. Equipment Maintenance and Capital Rates		
a. Outbound Baggage System Maintenance Rate per enplaned passenger	\$ 0.50	\$ 0.50
b. Terminal Airline Support System Rate per enplaned passenger (TBIT)	\$ 0.25	\$ 0.25
1. Terminal Airline Support System Special Charge for T1		\$ 253,427.61
2. Terminal Airline Support System Special Est. Charge for T2 & T3		\$ 228,006.40
c. Loading Bridge Rate - Maintenance (per full turn)-		
Aircraft class 1	\$ 91.82	\$ 91.82
Aircraft class 2	\$ 61.21	\$ 61.21
Aircraft class 3	\$ 45.91	\$ 45.91
Aircraft class 4	\$ 38.26	\$ 38.26
Aircraft class 5	\$ 30.61	\$ 30.61
Aircraft class 6	\$ 22.95	\$ 22.95
d. Loading Bridge Rate - Capital (per full turn)		
Aircraft class 1	\$ 73.58	\$ 73.58
Aircraft class 2	\$ 49.05	\$ 49.05
Aircraft class 3	\$ 36.79	\$ 36.79
Aircraft class 4	\$ 30.66	\$ 30.66
Aircraft class 5	\$ 24.53	\$ 24.53
Aircraft class 6	\$ 18.40	\$ 18.40
e. Loading Bridge Under Lease Capital Charge (per bridge per year)	\$ 56,413	\$ 56,413
Specific per SQFT rate		
M&O Rate, UTC (Commuter & Other)	\$ 23.01	
Concessions Storage Rate	\$ 203.04	

Note-

For purposes of setting rates for CY 2020, 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.