

# SCHEDULE 3

Amended and Restate Rate Agreement



RESOLUTION NO. 26923

BE IT RESOLVED that, on recommendation of Management, the Board of Airport Commissioners approved the Blanket Authority to enter into binding Rate Agreements with airlines and Los Angeles World Airports-approved airline consortiums using passenger terminals at Los Angeles International Airport, with term expiring December 31, 2032, 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. Eshaghtian  
Beatrice C. Hsu  
Nicholas P. Roxborough  
Dr. Cynthia A. Telles  
Karin Webb

Deborah Flint  
Chief Executive Officer

BE IT FURTHER RESOLVED that the Board authorized the Chief Executive Officer, or designee, to execute said binding Rate Agreements regarding certain Tariff charges after 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. 26923 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

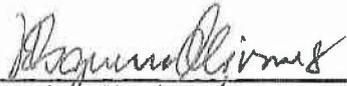


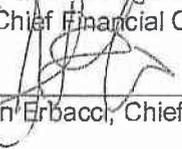


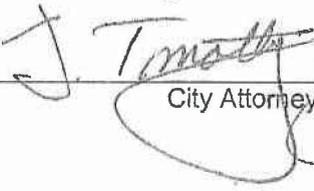
Los Angeles World Airports

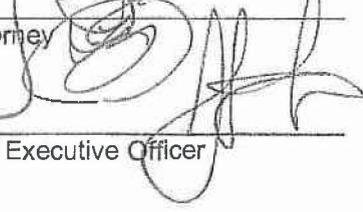
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# REPORT TO THE BOARD OF AIRPORT COMMISSIONERS

  
 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	11/8/2019	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> NA	RW
CEQA	10/31/2019	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N	PI
Procurement	11/4/2019	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> Cond	LK
Guest Experience	11/6/2019	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N	BY
Strategic Planning	10/31/2019	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> NA	KV

## **SUBJECT: Blanket Authority: Rate Agreement for Passenger Terminals at Los Angeles International Airport**

Adoption of a Blanket Authority authorizing the Chief Executive Officer or his or her designee to enter into a binding rate agreement with airlines and LAWA-approved airline consortiums using Passenger Terminals at the Los Angeles International Airport.

### **RECOMMENDATIONS:**

Management RECOMMENDS that the Board of Airport Commissioners:

1. ADOPT the Staff Report.
2. DETERMINE 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.
3. ADOPT a Blanket Authority for the Chief Executive Officer or his or her designee to enter into a binding rate agreement with airlines and Los Angeles World Airports (LAWA)-approved airline consortiums using Passenger Terminals at the Los Angeles International Airport (LAX) regarding certain Tariff charges through December 31, 2032.
4. AUTHORIZE the Chief Executive Officer, or his or her designee, to execute binding rate agreements regarding certain Tariff charges after approval as to form by the City Attorney.

## DISCUSSION:

### 1. Purpose

LAWA's current Rate Agreement for Passenger Terminals at LAX expires on December 31, 2022. In order to provide continued rate stability for passenger airlines operating at LAX and to support the future investment in Passenger Terminals and related infrastructure, Staff recommends offering a 10-year extension of the Rate Agreement with certain changes included, to all passenger airlines and approved airline consortiums operating at LAX and requiring prompt execution by airlines and consortiums that are party to the current Rate Agreement.

### 2. Prior Related Actions

- **September 17, 2012, Resolution 24912**  
The Board approved a new methodology for establishing rates and charges for use of passenger terminal facilities at LAX, pursuant to the Tariff, as amended.
- **September 17, 2012, Resolution 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 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.

### 3. Current Action

Following a series of complaints filed by LAX's passenger airlines with the U.S. Department of Transportation (USDOT) and related litigation over LAWA's previous method of establishing rates and fees for the use of Passenger Terminals at LAX, the BOAC adopted a new terminal rates and charges methodology to establish an equalized rates and charges methodology that would recover from the passenger airlines operating at LAX, LAWA's costs of acquiring, constructing, financing, and operating and maintaining its Passenger Terminals at LAX. To complement this new methodology, Staff recommended, and the Board authorized the Chief Executive Officer (known as the Executive Director at the time) to offer and enter into a 10-year Rate Agreement expiring in December of 2022 with willing airlines (and approved airlines consortiums) to provide certain benefits to those airlines signing the agreement while improving the security and certainty of a critical LAWA revenue stream in future years, and substantially protecting LAWA from future airline complaints and litigation.

As LAWA prepares for future passenger demand that may materialize at LAX, it is undertaking an environmental review process for a potential Airfield and Terminal Modernization Program (ATMP), which could include construction of various improvements to LAX's airfield, roadways and construction of new terminal facilities. As these costs could be substantial, LAWA identified certain enhancements to the rate agreement to assure LAWA's ability to continue to responsibly finance these improvements in the capital markets. Long term projections of

capital and operating costs and their impacts on terminal rates at LAX with the proposed enhancements to the rate agreement have been shared with the passenger airlines to provide visibility into the likely increase in airline costs at LAX. With visibility into the projected increase in costs, the Airline Rates and Charges Liaison (ARL) and representatives from major passenger airlines at LAX have expressed their support for the continued investment in LAX's facilities to accommodate future passenger demand at LAX.

Because future investment and related financing needs to support these improvements may be significant, LAWA identified the need for inclusion of an "extraordinary airport-wide coverage protection provision" in the existing Passenger Terminal rate-making methodology prescribed by the Rate Agreement. This will assure adequate levels of revenue available to support debt service for future financings. The addition of this provision to the Rate Agreement will provide a compelling case for rating agencies to maintain their high ratings of LAX bonds despite significant future investments. These ratings are expected to support market access and lower LAX's cost of borrowing.

In discussions with the passenger airlines, Staff identified an opportunity to reduce airline costs under certain conditions through the elimination of the airlines' requirement to maintain faithful performance guarantees (FPGs), or security deposits, in the form of letters of credit as part of their occupancy and use of Passenger Terminals at LAX. In exchange for the opportunity to eliminate the FPG requirement, the passenger airlines have agreed that any shortfall in collection of terminal charges due to non-payment by a defaulting airline would be included in future terminal rates and collected from the remaining passenger airlines operating in LAX's Passenger Terminals.

In consultation with LAX passenger airlines, LAWA shared updated projections of timing and costs in calculating Passenger Terminal rates and the proposed form of the revised new and extended Rate Agreement to achieve LAWA's and the airlines' shared objectives. A copy of the proposed form of the new Rate Agreement is attached. The Rate Agreement includes the following provisions:

1. Term

The term of the agreement will be extended for ten years and will terminate on December 31, 2032. This offers passenger airlines signing the new Rate Agreement (Signatory Airlines) multi-year rate-making certainty in the Passenger Terminals.

2. Limited opportunity to respond to LAWA's extended Rate Agreement

LAWA is only providing the opportunity to sign the new Rate Agreement for a limited period of time. Passenger airlines and approved airline consortiums that are party to the current Rate Agreement must execute and deliver their new agreement to LAWA by 4/30/2020. After 04/30/2020, passenger airlines and airline consortiums operating currently under the existing Rate Agreement will continue to operate under that agreement until its expiration on December 31, 2022, when these passenger airlines and consortiums will become subject to the terms of LAX's Passenger Terminal Tariff and will not be eligible to receive revenue sharing or a waiver of their obligation to provide an FPG for their operations in the Passenger Terminals. Passenger airlines and approved airline consortiums not currently operating at LAX and commencing operations in the future will have an opportunity to sign the new Agreement during or prior to their first 30 days of passenger service at LAX.

### 3. Rate Methodology

The Signatory Airlines and Signatory Consortiums will agree to the use of the Passenger Terminal rate methodology and waive any right to challenge the method as unreasonable.

### 4. Extraordinary Coverage Protection

Signatory Airlines and Signatory Consortiums agree to pay additional charges under the new Rate Agreement sufficient to achieve a revenue collection target or "Coverage Target" defined in the new Agreement as up to 1.40 times LAX's combined annual debt service and capital availability payments. These charges may be reduced should LAX fail to meet certain non-aeronautical revenue targets. This means that the extraordinary coverage protection charge may be reduced by material underperformance (decline of 50% or more) of non-aeronautical revenues per enplaned passenger. The charges are also subject to future repayment in the form of credit to the Signatory Airlines and Signatory Consortiums once LAX generates revenue in excess of the Coverage Target.

### 5. Tier One Revenue Sharing

Rates paid by Signatory Airlines and Signatory Consortiums will be credited with a share of LAWA's concession revenues generated in the Passenger Terminals at LAX. This Tier One revenue sharing will have the effect of reducing the calculated Terminal Building Requirement and FIS Requirement used to calculate the Signatory rates and fees. LAWA expects this concession revenue sharing will continue to align the interests of the Signatory Airlines and LAWA in locating, promoting, and facilitating concession development and, as a result, increase overall concession sales and resultant LAX revenue. Passenger airlines and airlines consortiums that are not signatory to the existing or new Rate Agreement will not benefit from Tier One revenue sharing.

### 6. Terminal Renewal and Improvement Fund

Using the annual net cash flow generated in the terminal cost center (revenues minus expenses and reserve fund requirements), LAWA created a dedicated funding source for future terminal capital improvements by establishing the Terminal Renewal and Improvement Fund (TRIF). Cash deposited in the TRIF, along with debt and grant financing, will be used to fund terminal related capital improvements. Deposits to the TRIF are subject to an annual cap of one hundred thirty-nine million and two hundred thousand dollars (\$139.2 million) and a maximum unused fund balance limit of five hundred and fifty-six million and seven hundred thousand dollars (\$556.7 million) as of July 1, 2018, as adjusted by CPI. The collection of amortization charges associated with capital investments funded from TRIF deposits will be deferred for a period of five years after the projects are placed in service and fully recovered thereafter as part of the Terminal or FIS requirements over the improvements' remaining lives.

### 7. Tier Two Revenue Sharing

At the end of each fiscal year, 50% of the net cash flow (uncommitted funds) in excess of the TRIF deposit or maximum balance limit will be deposited to the Tier Two Revenue Sharing Fund (the remaining 50% can be used by LAWA for any lawful purpose). On an annual basis, the funds in the Tier Two Revenue Sharing Fund will be distributed to Signatory Airlines in the form of a credit at the end of each calendar year, subject to certain conditions. Airlines that

are not signatory to the existing or new Rate Agreement will not participate in Tier Two revenue sharing.

#### 8. Capped Common Use Holdroom Fee

During any calendar year, LAWA will not charge any Signatory Airline cumulative Common Use Holdroom Fees for use of a given Common Use Holdroom that would exceed the amount they would have paid had the Signatory Airline had the opportunity to lease an average sized holdroom. Airlines that are not signatory to the existing or new Rate Agreement will not benefit from this cap.

#### 9. Terminal Capital Improvements Consultation

Throughout the year, LAWA will periodically meet with the passenger airlines' designated representative to review and discuss additions, changes or developments in LAX's terminal capital program, including funding mix and estimated timing and magnitude of increases in Passenger Terminal rates. LAWA will also meet with the Signatory Airlines at least twice each year to review and discuss all capital improvements associated with planning, design and construction of projects in the Passenger Terminals. For projects meeting certain materiality criteria, LAWA will engage the ARL through established communication protocols to assure that the passenger airlines have reasonable levels of visibility into and, where appropriate, input throughout a capital project's development cycle.

#### 10. Relief from Obligation to provide a Faithful Performance Guarantee

In order to create an opportunity to lower airline operating costs and subject to certain conditions, the new Rate Agreement will provide a waiver of a Signatory's obligation to provide a FPG as required under the Tariff. In return, the Signatory Airlines and Signatory Consortiums agree to the inclusion of any collection shortfall in future Passenger Terminal rates paid by the passenger airlines. The FPG requirement may be reinstated for any airline or consortium failing to meet its payment obligations.

#### 11. Equalization of Common Use Charges

The new Rate Agreement memorializes the mutual objective of LAWA and the passenger airlines to achieve equalized rates for use of various common-use facilities at LAX. LAWA and the airlines agree to work in good faith to establish such mechanisms necessary to minimize differences in the rates from terminal-to-terminal while assuring those entities providing services to carriers using common-use facilities can recover their costs.

Staff has conducted a number of consultation meetings with airline representatives and the Airline Airport Affairs Committee (AAAC) on the revisions to the new Rate Agreement. A majority of the airlines consulted on this have indicated their interest in signing the new Rate Agreement.

Staff requests that the Board of Airport Commissioners (Board) adopt a Blanket Authority authorizing the Chief Executive Officer, or his or her designee to enter into a binding rate agreement with passenger airlines and LAWA-approved airline consortiums currently using the Passenger Terminals at LAX through 04/30/2020.

Staff also requests that the Board adopt a Blanket Authority for the Chief Executive Officer, or his or her designee to enter into a binding rate agreement with passenger airlines and approved airline consortium not currently operating and commencing passenger operations at LAX, during or prior to their first 30 days of passenger service at LAX.

***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.* By amending/extending the existing Rate Agreement with the new provisions, Staff believes it has established the appropriate levels of revenue collection necessary to maintain access to capital markets and finance future airport improvements.

***Action Requested***

Adoption of a Blanket Authority for the Chief Executive Officer or his or her designee to enter into binding rate agreements with airlines and approved airline consortiums using Passenger Terminals at the Los Angeles International Airport.

***Fiscal Impact***

Through adoption of this recommendation, the existing Passenger Terminal rates and charges methodology at LAX will continue through 2032, with certain enhancements that will provide a sustainable and predictable revenue source capable of supporting the significant level of capital investment planned in the Passenger Terminals in the future. While the elimination of the FPG under the new Rate Agreement may result in a potential lag in the recovery of revenue due to LAWA should a carrier default on its obligations, the ability to include such uncollected revenue for recovery in the Passenger Terminal rate base expands LAWA's ability to collect receivables in excess of the performance guarantee amounts.

**4. Alternatives Considered**

• ***Do not enter into new rate agreement***

This is not a recommended option. Not approving this action will likely detract from LAWA's ability to finance future terminal construction projects at LAX, would materially reverse LAWA efforts to foster improved relations with its airline customers since the increased M&O charges and tariff were implemented in 2007, and could lead to a new round of airline complaints or litigation.

• ***Consider an alternative form of agreement***

The Passenger Terminal Rate Agreement represents a "hybrid" compensatory rate setting approach, relative to the Tariff's fully compensatory rate setting approach (meaning, no concession revenue-sharing). The sharing of portions of LAX's in-terminal non-aeronautical revenue is viewed as positively aligning LAWA and airline interests, without impairing LAX's overall financial position or flexibility. While residual style rate setting agreements may provide greater levels of financial security, they also would likely

require giving up a level of control that would not be consistent with LAWA's long term interests as it manages LAX's growing and changing operations in the future.

**APPROPRIATIONS:**

No appropriation of funds is required for this action. Passenger Terminal Revenue collected under the existing agreement in FY2019 was approximately \$495 million and is expected to grow as future expenses increase.

**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. The City Attorney has approved this item.
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 Business Enterprise (BE) 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.

## AMENDED AND RESTATED RATE AGREEMENT

This RATE AGREEMENT (this "Agreement") is made and entered into as of August 7, 2020, by and between THE CITY OF LOS ANGELES DEPARTMENT OF AIRPORTS, a municipal corporation ("City") (sometimes referred to as "Los Angeles World Airports" or "LAWA"), acting by order of and through its Board of Airport Commissioners (the "Board"), and TBITEC, an air carrier offering regularly scheduled passenger service at the Airport or an airline consortium that has been formed to manage specified Terminal facilities at the Airport and has been approved by City for this purpose (in either case, referred to for convenience as "Airline" throughout this Agreement). Airline and City are collectively referred to as "Parties." Capitalized terms used in this Agreement without definition shall have the meanings given to such terms in the Rate Methodology (as defined below).

### RECITALS

The Parties hereby acknowledge and agree that their respective decisions to enter into this Agreement are premised on the following recitals:

A. City is the owner of Los Angeles International Airport (the "Airport") and operates the Airport for the promotion, accommodation and development of air commerce and air transportation.

B. City has undertaken construction projects to refurbish and renovate certain Terminals at the Airport and expects to continue to make significant investments in all the Terminals to improve and modernize the Airport and accommodate additional passengers. City and Airline desire to communicate regularly on the status of Capital Improvements to the Terminals.

C. Airline (i) is or will be using space in a Terminal at the Airport pursuant to the Los Angeles International Airport Passenger Terminal Tariff (the "Tariff") or (ii) is using space in a Terminal at the Airport pursuant to a lease and desires to have the rates and charges for its use of Terminal space at the Airport calculated in accordance with this Agreement.

D. The Board adopted a new methodology (the "Rate Methodology") for the calculation of rates and charges for the use of Terminal space at the Airport on September 7, 2012. The Rate Methodology is attached to this Agreement as Exhibit A.

E. Airline understands that the Rate Methodology was developed in anticipation of future Terminal construction projects and is intended as a self-financing mechanism to recover the costs of constructing, acquiring, operating and maintaining the Terminals at the Airport.

F. City and Airline desire predictable rates and charges for use of Airport facilities.

G. City and Airline desire to avoid disputes about the methods used to calculate rates and charges for use of Terminals at the Airport.

H. City and various air carriers offering regular scheduled passenger service at the Airport, including Airline, desire to extend, and to amend and restate, the Rate Agreement various

air carriers entered into effective as of January 1, 2013 (the “2013 Rate Agreement”), to enhance consultation on major capital improvement projects affecting passenger carriers, to provide stronger financial protection to City, and to relieve air carriers and airline consortiums that execute this Agreement of the burden of posting a performance guaranty while protecting City from airline-related bad debt.

I. Because all airlines using Terminal 4 are now subject to the Rate Methodology, the term “Terminals” as used in the Rate Methodology shall be understood to mean all the passenger terminals in the Airport, including remote holdroom facilities. When the context requires, the term “Terminal” shall mean any one of the passenger terminals in the Airport.

J. City will make this form of Agreement available to all air carriers offering regular scheduled passenger service at the Airport, and all air carriers that execute this form of Agreement will be “Signatory Airlines” for purposes of this Agreement. City will also make this form of Agreement available to airline consortiums that have been formed to manage specified Terminal facilities at the Airport and have been approved by City for this purpose, but nothing in this Agreement shall be construed to impose an obligation upon City to approve any new airline consortiums. Each airline consortium that becomes a party to this form of Agreement will be a “Signatory Consortium” and except as otherwise provided in Section 3, will be treated as if it were a “Signatory Airline” for purposes of this Agreement.

### AGREEMENT

**NOW THEREFORE**, in consideration of the foregoing recitals and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, City and Airline hereby agree as follows:

1. Term.

1.1. Commencement of Term.

- (a) With respect to any air carrier, this Agreement shall commence on January 1, 2020 if executed by such air carrier and delivered to City on or before April 30, 2020 and otherwise shall commence on the first day of the next month beginning no less than thirty (30) days after execution by an air carrier and delivery to City; provided, however, that any Signatory Airline under the 2013 Rate Agreement may only become a Signatory Airline under this Agreement if such Signatory Airline executes and delivers this Agreement to City on or before April 30, 2020.
- (b) With respect to any approved airline consortium in existence on April 30, 2020 (“Existing Consortium”), this Agreement shall commence on January 1, 2020 if (a) executed by the Existing Consortium and delivered to City on or before April 30, 2020 and also (b) executed by individual airline members of such Existing Consortium responsible for no less than seventy-five percent (75%) of the enplaned passengers of all such consortium members at the Airport during fiscal year 2019 and delivered to City on or before April 30, 2020; provided, however, that any Existing Consortium

that is a signatory to the 2013 Rate Agreement may only become a signatory to this Agreement if such Existing Consortium and individual airline members of such Existing Consortium responsible for no less than seventy-five percent (75%) of the enplaned passengers of all such consortium members at the Airport during fiscal year 2019 deliver this Agreement to City on or before April 30, 2020.

- (c) With respect to any airline consortium formed and approved after April 30, 2020, this Agreement shall commence on the first day of the next month beginning no less than sixty (60) days after execution and delivery to City by such consortium and one hundred percent (100%) of the individual airline members of such consortium.

1.2. Termination. This Agreement shall terminate on December 31, 2032.

1.3. Prior Agreement. Upon its commencement, this Agreement shall supersede the 2013 Rate Agreement.

2. Acceptance of Rate Methodology. Airline agrees to pay charges for its use of space in the Terminals calculated in accordance with the Rate Methodology as modified by this Agreement and acknowledges that this Agreement constitutes a written agreement with air carriers within the meaning of 49 U.S.C. § 47129(e)(1).

3. No Change to Rate Methodology. City agrees that during the Term, City shall use the Rate Methodology as modified by this Agreement to calculate Airline's rates and charges for the use of Terminal space at the Airport under the Tariff or Airline's lease, as applicable, and City shall not subject Airline to a different rates and charges methodology for the use of Terminal space at the Airport during the Term; provided, however, that City may modify the Rate Methodology in a manner generally applicable to all Terminals with the written consent of Signatory Airlines that are then operating at the Airport. City shall give written notice and meet with the Signatory Airlines to discuss any such proposed modification. In lieu of providing written notice to each Signatory Airline, City may provide written notice to the Airline Airport Affairs Committee ("AAAC") at the Airport. City shall provide at least thirty (30) days written notice of the meeting and request the written consent of the Signatory Airlines to the proposed modification no less than forty-five (45) days following the meeting. Such consent shall be deemed to have been given if the modification is approved in writing by a vote in which Signatory Airlines that collectively paid no less than fifty-one percent (51%) of the total rates and charges paid under the Rate Methodology by all Signatory Airlines during the immediately preceding fiscal year cast ballots and the Signatory Airlines voting to approve the modification also paid no less than sixty-seven percent (67%) of the total rates and charges paid under the Rate Methodology during the immediately preceding fiscal year by all Signatory Airlines casting ballots (including Signatory Airlines that vote not to approve the modification). A Signatory Consortium shall not itself participate in such a vote, but the rates and charges paid by a Signatory Consortium shall be credited proportionately to any of its members who are Signatory Airlines and participate in such a vote.

City and Airline acknowledge that during the Term questions may inevitably arise about the application of the Rate Methodology in new or unforeseen circumstances. They commit to

work together in good faith to resolve any such questions to the satisfaction of City and all Signatory Airlines in ways that are consistent with the intent of this Agreement and may not require any changes to the Rate Methodology under this Section 3.

4. Tier One Revenue Sharing. City will share the concession revenues that City derives from the Terminals at the Airport with all Signatory Airlines in accordance with the following formulas ("Tier One Revenue Sharing"), which reduce the otherwise-indicated Terminal Buildings Requirement and FIS Requirement calculated under the Rate Methodology. Airlines and airline consortiums that are not signatories to this form of Agreement shall not be eligible for Tier One Revenue Sharing.

4.1. Tier One Terminal Buildings Revenue Sharing.

- (a) The Terminal Buildings Requirement otherwise calculated under Section 2.2.1 of the Rate Methodology for any given calendar year shall be reduced by the full amount of Tier One Terminal Buildings Concession Revenue applicable to that year. The Terminal Buildings Rate (and all rates derived from it under the Rate Methodology) charged to all Signatory Airlines, including Airline, shall reflect the reduction in the Terminal Buildings Requirement yielded by Tier One Revenue Sharing.
- (b) For purposes of this section, the following definitions shall be used:
  - (i) "Terminal Buildings Concession Revenue" shall mean all revenue received by City from Terminal Buildings Concessions in the immediately preceding fiscal year.
  - (ii) "Tier One Terminal Buildings Concession Revenue" shall mean fifty percent (50%) of the amount, if any, of Terminal Buildings Concession Revenue received by City in the immediately preceding fiscal year that is above the Terminal Buildings Concession Baseline.
  - (iii) "Terminal Buildings Concessions" shall mean all concessions and concessions management in the Terminal Buildings at the Airport including, but not limited to, food and beverage, retail, telecommunications, ATMs, luggage carts, advertising and sponsorships, passenger lounges operated on a pay-for-use basis (other than lounges leased by air carriers or airline consortiums), and Terminal commercial management and Terminal media operations. Terminal Building Concessions do not include FIS Concessions, parking and rental car concessions, or commercial vehicle and other ground transportation fees.
  - (iv) "Terminal Buildings Concession Baseline" shall mean Ninety Million, Six Hundred Thousand Dollars (\$90,600,000) as of July 1, 2018 and as adjusted as of July 1 of each following year to reflect any changes after June 30, 2018 in the consumer price index

published by the Bureau of Labor Statistics for “all urban consumers” for “all items” for the Los Angeles-Long Beach-Anaheim Area.

4.2. Tier One FIS Concession Revenue Sharing.

- (a) The Gross FIS Requirement otherwise calculated under Section 2.3.1 of the Rate Methodology for any given calendar year shall be reduced by the full amount of Tier One FIS Concession Revenue applicable to that year. The FIS Rate charged to all Signatory Airlines, including Airline, shall reflect the reduction in the Gross FIS Requirement yielded by Tier One Concession Revenue Sharing.
- (b) For purposes of this section, the following definitions shall be used:
  - (i) “FIS Concessions” shall mean duty free and foreign exchange concessions at the Airport. FIS Concessions do not include Terminal Buildings Concessions, parking and rental car concessions, or commercial vehicle and other ground transportation fees.
  - (ii) “Tier One FIS Concession Revenue” shall mean twenty-five percent (25%) of all revenues received by City from FIS Concessions contracts in the immediately preceding fiscal year.

Illustrative calculations displaying how Tier One Revenue Sharing will affect the rates and charges otherwise calculated under the Rate Methodology are attached to this Agreement as Exhibit B through Exhibit H.

5. [INTENTIONALLY LEFT BLANK]

6. [INTENTIONALLY LEFT BLANK]

7. Capped Common Use Holdroom Fee. During any calendar year, City shall not charge any Signatory Airline, including Airline, cumulative Common Use Holdroom Fees for the use of a given Common Use Holdroom that exceed the Common Use Holdroom Cap. For purposes of this Section, “Common Use Holdroom Cap” shall mean, for any given calendar year, the product of (x) the Terminal Buildings Rate calculated in accordance with this Agreement for that year and (y) the average number of square feet in all Common Use Holdrooms in the Terminals. For purposes of determining whether a Signatory Airline’s cumulative Common Use Holdroom Fees for a given Common Use Holdroom exceed the Common Use Holdroom Cap, City shall include Common Use Holdroom Fees paid by a Signatory Airline for the use of other Common Use Holdrooms if such Signatory Airline provides written documentation reasonably acceptable to LAWA’s Chief Executive Officer (“CEO,” referred to as the “Executive Director” in the Rate Methodology) that the use of such other Common Use Holdrooms was required in order to accommodate the schedule of another airline on the Common Use Holdroom for which the cumulative Common Use Holdrooms Fees are being computed.

8. Terminal Renewal and Improvement Fund & Tier Two Revenue Sharing. To provide a dedicated funding source for future Terminal capital improvement projects, City shall establish a Terminal Renewal and Improvement Fund (“TRIF”).

8.1. Net Terminal Area Cash Flow. At the end of each calendar year, commencing at the end of calendar year 2020, the Net Terminal Area Cash Flow shall be deposited to the TRIF; provided, however, that the annual deposit of the Net Terminal Area Cash Flow shall not exceed the Net Terminal Area Cash Flow Cap. For purposes of this Section, the “Net Terminal Area Cash Flow” for any calendar year shall mean the difference between (a) the total revenues received by City from all sources for use of space in the Terminals (excluding ECPCs, if any) and (b) the sum of (x) debt service (net of PFC’s) and Operations and Maintenance Expenses allocable to the Terminals and (y) required Reserve Deposits allocable to the Terminals for the immediately preceding fiscal year. The “Net Terminal Area Cash Flow Cap” shall mean One Hundred Thirty-Nine Million, Two Hundred Thousand Dollars (\$139,200,000) as of July 1, 2018 and as adjusted as of July 1 of each following year to reflect any changes after July 1, 2018 in the consumer price index published by the Bureau of Labor Statistics for “all urban consumers” for “all items” for the Los Angeles-Long Beach-Anaheim Area. If at the end of any calendar year the Net Terminal Area Cash Flow exceeds the Net Terminal Area Cash Flow Cap, fifty percent (50%) of the funds in excess of the Net Terminal Area Cash Flow Cap shall be deposited to the Tier Two Revenue Sharing Fund; the remaining fifty percent (50%) of any such excess funds shall be deposited to City’s revenue fund for City’s unrestricted use for airport system capital or operating costs in accordance with applicable law.

8.2. Use of TRIF and Tier Two Revenue Sharing.

(a) TRIF.

- (i) The funds in TRIF, if any, shall only be used by City to fund Capital Improvements in the Terminals unless the CEO reasonably determines, after consultation with the Signatory Airlines (except when exigent circumstances make such consultation impractical), that funds in TRIF are needed for other airport purposes (x) as a result of emergencies, including natural disasters or acts of war, (y) to meet regulatory or security requirements or (z) to satisfy bond covenants. The costs of Terminal projects funded by TRIF shall be amortized over the project’s useful life and recovered through future rates and charges; provided, however, that City will defer for five years from the Date of Beneficial Occupancy the collection of any amortization charges associated with the use of TRIF moneys to fund new Terminal Capital Improvements, as provided in Section 9.3. For purposes of this Agreement, “Date of Beneficial Occupancy” or “DBO” shall mean the date when a project or phased component of a project has been completed and the CEO determines that it is available for use.
- (ii) The TRIF Balance at the end of each fiscal year shall not exceed the TRIF Cap. At the end of each fiscal year, fifty percent (50%) of the

funds in excess of the TRIF Cap shall be deposited to the Tier Two Revenue Sharing Fund; the remaining fifty percent (50%) of any such excess funds shall be deposited to City's revenue fund for City's unrestricted use for airport system capital or operating costs in accordance with applicable law. For purposes of this Section, the "TRIF Balance" shall mean the TRIF account balance as of July 1 after depositing the Net Terminal Area Cash Flow pursuant to Section 8.1 of this Agreement for the immediately preceding fiscal year and including any accrued interest. The "TRIF Cap" shall mean Five Hundred Fifty-Six Million, Seven Hundred Thousand Dollars (\$556,700,000), as of July 1, 2018 and as adjusted as of July 1 of each following year to reflect any changes after July 1, 2018 in the consumer price index published by the Bureau of Labor Statistics for "all urban consumers" for "all items" for the Los Angeles-Long Beach-Anaheim Area.

(b) Tier Two Revenue Sharing Fund Distributions.

- (i) Commencing in calendar year 2020 and continuing on an annual basis until the end of the Term, the funds in the Tier Two Revenue Sharing Fund, if any, shall be distributed among all of the Signatory Airlines in the form of a credit (the "Tier Two Credit") at the end of each calendar year. Tier Two Credits can only be used by a Signatory Airline, including Airline, as an offset against amounts due to City in the following order of priority: first, against any amounts due to City on account of Airline's use of Terminal space at the Airport; and second, against any landing fees due to City on account of Airline's use of the airfield at the Airport. Tier Two Credits will not be issued in cash. Tier Two Credits must be used within twelve (12) months after they are issued and expire immediately if Airline ceases operations at the Airport for any reason other than the closure of the Airport. The distribution of Tier Two Credits shall be subject to the eligibility rules set forth below in subsection 8.2(b)(ii) and shall be based upon the ratio of each Signatory Airline's payments of Terminal charges during the preceding calendar year to all payments of Terminal charges by Signatory Airlines during the preceding calendar year. The calculation of Tier Two Credits shall be made after the annual adjustment-to-actual of rates pursuant to Section 2.10 of the Rate Methodology. City may, in its discretion, elect to reduce or defer the distribution of Tier Two Credits in any fiscal year to the extent the distribution of Tier Two Credits would cause City to increase the otherwise-indicated amounts of ECPCs calculated under Section 10.2. Such reduction or deferral is not intended to eliminate City's obligation to provide the full benefit of such credits to each Signatory Carrier in future years. When an ECPC is no longer required, City shall distribute any past Tier Two Credits due to

Signatory Airlines no later than when refunds of ECPCs are made pursuant to Section 10.7.

- (ii) Conditions for the Issuance and Use of the Tier Two Credit. To be eligible to receive a Tier Two Credit, if any, for any given calendar year Airline must be operating at the Airport at the time the Tier Two Credits are issued. Airline will only be eligible to use Tier Two Credits as offsets against amount due to City, in accordance with Section 8.2(b)(i), if at the time Airline seeks to use such Credits, Airline is not in arrears to City by more than 45 (forty-five) days for any outstanding amount due on account of Airline's use of Terminal space or use of the airfield at the Airport for which City has given Airline notice (and for purposes of this Section 8.2(b)(ii), the discharge of a debt in a bankruptcy proceeding at any time during the preceding two (2) years shall not constitute the elimination of an arrearage or the payment of any amount to City). An illustrative calculation displaying how Tier Two Revenue Sharing will work is attached to this Agreement as Exhibit I. If any Signatory Airline is unable to use its Tier Two Credit by reason of such arrearage or because it is no longer operating at the Airport, such Signatory Airline's Tier Two Credit shall be retained in the Tier Two Revenue Sharing Fund and distributed at the end of the next calendar year in accordance with Section 8.2(b)(i).

9. Terminal Capital Improvements.

9.1. Consultation. The AAAC will designate a representative of all Signatory Airlines (the "Airline Technical Representative") who will meet no less than twice each calendar year with City to consult about the scope and status of Capital Improvements with costs allocable to the Terminals, Airfield and Apron, and Access (collectively, the "Airline Area Capital Improvement Plan"). City and the Airline Technical Representative will work cooperatively to make the consultation meetings collaborative and informative (e.g., format and approach of communicated information) with the objective of developing a common understanding of the Airline Area Capital Improvement Plan. City will use good faith efforts to implement each Airline Area Capital Improvement included in the Airline Area Capital Improvement Plan, but the Signatory Airlines understand and agree that City may make changes in the scope, purpose, design, schedule, cost and funding sources of each Airline Area Capital Improvement. After City gives due consideration to whatever information and written comments are provided by the Signatory Airlines or the Airline Technical Representative as described below, City will in its reasonable discretion make the final determination on all of these matters and such determinations will be binding.

At each such consultation meeting for the Airline Area Capital Improvement Plan, City will provide the following for the then current calendar year and on a forward rolling basis for the next three (3) calendar years: (a) a list, description, and prioritization of each Airline Area Capital Improvement that is planned, in design, designed or in construction at the time of the meeting, with those Airline Area Capital Improvements for the maintenance, renewal and replacement of assets or equipment in such areas separately identified; (b) the estimated gross project cost and

construction schedule for each Airline Area Capital Improvement; (c) the then anticipated source of funds for each Airline Area Capital Improvement; (d) the potential project delivery method that may be used by City for each Airline Area Capital Improvement (e.g. design-build, public private partnership), and (e) the anticipated impact of the projected set of Airline Area Capital Improvements on charges to be calculated in accordance with the Rate Methodology, this Agreement or the Air Carrier Operating Permit, and the amount and timing of any projected Extraordinary Coverage Protection Charge (“ECPC”) calculated in accordance with this Agreement. Upon request, City will also provide at that time any other publicly available information (1) provided to the Board about each such Airline Area Capital Improvement or (2) otherwise publicly disseminated by LAWA.

For each Airline Area Capital Improvement that meets established materiality criteria, which may change from time-to-time as discussed below, City agrees to engage the Airline Technical Representative from time-to-time, through a designated City representative and communication protocol to be reasonably determined by City after consultation with the Signatory Airlines, starting at the early development of and continuing through the implementation of each such Airline Area Capital Improvement to exchange information or comments meant to improve the Airline Area Capital Improvement, and to address the budget, schedule, operational or other impacts of each such Airline Area Capital Improvement on airline tenants in a timely manner. The materiality criteria will be established in consultation with the Signatory Airlines after taking into account the total cost, changes in airline rates and charges, or airline operational impacts of each such Airline Area Capital Improvement. If after consultation the Parties cannot reasonably agree on the materiality criteria, City will make the final determination and such determination will be binding.

City will give due consideration to written comments on Airline Area Capital Improvements provided to City by Signatory Airlines or the Airline Technical Representative within thirty (30) days of any such communication regarding items (a) through (e) above with respect to any Airline Area Capital Improvement or otherwise regarding any material Airline Area Capital Improvements and will advise the Board of any such written comments when requesting Board action on any Airline Area Capital Improvement that is the subject of such comments.

9.2. Funding Sources. Airline Area Capital Improvements may be funded from one or more of the following sources: Airport revenue bonds, Airport revenue other than TRIF, developer capital (e.g., through a public private partnership), federal grants-in-aid (where available to pay eligible project costs), PFCs (subject to availability and FAA approval), and TRIF for Terminal Capital Improvements only. City shall retain sole discretion to determine the sources of funding for each Capital Improvement. City acknowledges and shares Airline’s desire for a cumulative funding mix which minimizes the airline rate burden; optimizes the use of grants-in-aid, PFCs and CFCs; maintains City’s ability to access capital markets on favorable terms; and eliminates or reduces the amount, frequency and duration of ECPCs, if any. City shall give due consideration to these objectives when determining the sources of funding for each Capital Improvement. Airline acknowledges that the actual mix of sources used to fund Airline Area Capital Improvements during the Term of this Agreement may vary depending upon, but not limited to, the following factors: (a) the availability of funds in TRIF and Airport revenue accounts; (b) federal funding levels and project eligibility; (c) the allowable amounts and uses of PFCs and CFCs; and (d) capital market conditions.

9.3. Deferred Amortization Charges. City will defer for five years from the Date of Beneficial Occupancy the collection of any amortization charges associated with the use of TRIF moneys to fund new Terminal Capital Improvements.

10. Extraordinary Coverage Protection. Airline agrees that in addition to paying charges for its use of space in the Terminals calculated in accordance with the Rate Methodology as modified by this Agreement, Airline shall when required by this Agreement pay a separate charge to provide extraordinary coverage protection to City (the "Extraordinary Coverage Protection Charge" or "ECPC") in accordance with the following terms and conditions.

10.1. Definitions. For purposes of this section, the following definitions shall be used:

- (a) "APM" shall mean the automated people mover to be constructed at the Airport.
- (b) "APM Capital AP" shall mean the annual availability payments City is obligated to make to the private developer of the APM for capital costs.
- (c) "APM O&M AP" shall mean the annual availability payments City is obligated to make to the private developer of the APM for operations and maintenance costs and renewal costs.
- (d) "CFC Revenues" shall mean Customer Facility Charges collected by City with respect to the Airport.
- (e) "ConRAC" shall mean the consolidated rent-a-car car facility to be constructed at the Airport.
- (f) "ConRAC Capital AP" shall mean the annual availability payments City is obligated to make to the private developer of the ConRAC for capital costs and renewal costs.
- (g) "ConRAC O&M AP" shall mean the annual availability payments City is obligated to make to the private developer of the ConRAC for operations and maintenance costs.
- (h) "Coverage Amount" shall mean the ratio of Adjusted Net Pledged Revenues to Total LAX Obligations, calculated as provided in Section 10.2(d).
- (i) "Coverage Target" shall mean that the Coverage Amount equals 1.40x.
- (j) "Customer Facility Charge" or "CFC" shall mean "Customer Facility Charge as that term is defined in California Government Code § 50474.21(a) as it may be amended from time to time.
- (k) "Gross Annual Debt Service" shall mean gross annual debt service (including debt service expected to be paid by PFCs and CFCs) allocable to

bond-funded Capital Improvements, excluding debt service on special facility bonds.

- (l) “Included CFC Revenues” shall mean that portion of the CFC Revenues collected by City (plus any interest income on CFC balances) that is used to (i) make ConRAC Capital APs to the developer of the ConRAC beginning on the DBO of the ConRAC (or such other date as reasonably determined by LAWA) and (ii) pay debt service on debt issued by City to fund a portion of APM costs and make APM Capital APs and APM O&M APs to the developer of the APM, all beginning on the DBO (or such other date reasonably determined by LAWA). CFC Revenues used to pay debt service on special facility bonds are not Included CFC Revenues.
- (m) “Included PFC Revenues” shall mean that portion of the PFC Revenues collected by City (plus any interest income on PFC balances) that is used to pay PFC-eligible debt service and other capital costs (e.g., availability payments).
- (n) “LAX O&M Expenses” shall mean Operations and Maintenance Expenses (as defined in the Rate Methodology) including both APM O&M AP and ConRAC O&M AP made by City.
- (o) “Other Nonairline Revenue” or “ONR” shall mean all revenue received by City from nonairline sources other than Terminal Building Concessions and FIS Concessions, such as revenue received by City from parking and rental car concessions; from commercial vehicle and other ground transportation fees; and from commercial development at the Airport. ONR shall not include any revenue received by City from any source that is credited to the airfield and offset against the airfield revenue requirement in the calculations used to derive the landing fee at the Airport.
- (p) “ONR/EP Ratio” shall mean the ratio of Other Nonairline Revenues divided by total Enplaned Passengers.
- (q) “PFC Revenues” shall mean Passenger Facility Charges collected by City with respect to the Airport.
- (r) “Pledged Revenues” shall mean the income, receipts, earning and revenues received by City from the Airport, excluding (i) PFC Revenues, (ii) CFC Revenues and (iii) grant funding for capital projects.

10.2. Amount of Aggregate ECPCs. City shall calculate the aggregate amount of ECPCs, if any, to be paid by Airline and all other Signatory Airlines in any given fiscal year as follows:

- (a) First: estimated Net Pledged Revenues shall be computed as Pledged Revenues minus LAX O&M Expenses.

- (b) Second: estimated Adjusted Net Pledged Revenues shall be computed as the sum of Net Pledged Revenues, Included CFC Revenues and Included PFC Revenues, less the total amount of Tier Two Credits, if any, distributed under Section 8.2(b).
- (c) Third: estimated Total LAX Obligations shall be computed as the sum of Gross Annual Debt Service, APM Capital AP and ConRAC Capital AP.
- (d) Fourth: the estimated Coverage Amount shall be computed by dividing Adjusted Net Pledged Revenues by Total LAX Obligations.
- (e) Fifth: if the Coverage Amount equals or exceeds the Coverage Target (1.40), no ECPCs shall be required.
- (f) Sixth: if the Coverage Amount is less than the Coverage Target, ECPCs shall be required in an aggregate amount sufficient, when added to Adjusted Net Pledged Revenues, to cause the Coverage Amount to equal the Coverage Target (1.40).

10.3. Nonairline Revenue Target Credits.

- (a) Eligibility for NRTC. The aggregate amount of ECPCs, if any, to be paid by Airline and all other Signatory Airlines in any given fiscal year shall be reduced by a Nonairline Revenue Target Credit ("NRTC") if, but only if, the ONR/EP Ratio for the current fiscal year is fifty percent (50%) or more lower than the ONR/EP Ratio for the immediately preceding fiscal year, after taking account of any projects undertaken at the Airport for the benefit of any airline and any exogenous events (outside City's control) that, in each case, City can demonstrate adversely affected Other Nonairline Revenues.
- (b) Amount of NRTC. If the Signatory Airlines must pay ECPCs in any given fiscal year, the amount of the NRTC, if any, for that fiscal year shall be the amount required to increase the ONR/EP Ratio for that fiscal so that it equals fifty percent (50%) of the ONR/EP Ratio for the immediately preceding year (after adjustments, if any, under Section 10.3(a)); provided, however, that the NRTC can never exceed the aggregate amount of ECPCs otherwise due for that fiscal year.

Illustrative calculations displaying how ECPCs and NRTCs will be calculated are attached to this Agreement as Exhibit J and Exhibit K.

10.4. Consultation on ECPCs. City will determine, and notify each Signatory Airline, whether an ECPC will be required at the time City provides annual notice of proposed rates and charges under Section 2.1 of the Rate Methodology; at the time City provides notice of any mid-year adjustment to rates and charges under Section 2.9 of the Rate Methodology; or at any other time City determines that an ECPC is required as a result of an unexpected event outside of City's control.

Before requiring payment of ECPCs in accordance with this Agreement, City shall consult with all Signatory Airlines concerning, and provide supporting documents showing, the basis for implementing the ECPC; the calculation of the amount of the ECPC, including the NRTC, if any; the projected frequency and duration of the ECPC; and any reasonable steps City has taken and could take to reduce the amount, frequency and duration of the ECPC. City shall give due consideration to the possibility of eliminating or reducing the amount, frequency and duration of ECPCs by changing the scope or phasing of or the funding sources for Capital Improvements, increasing the amounts of Nonairline Revenues or reducing Operations and Maintenance Expenses; provided, however, that City shall not be required to take any of these steps.

10.5. Payments of ECPCs.

- (a) Calculation of Individual Airline ECPCs. To determine the amount of ECPCs, if any, to be paid by each Signatory Airline, including Airline, in any given fiscal year, City shall first subtract the NRTC, if any, calculated in accordance with Section 10.3 from the aggregate amount of ECPCs calculated in accordance with Section 10.2, and City shall then multiply that difference by each Signatory Airline's proportionate share of total payments (excluding ECPCs, if any) made by all Signatory Airlines for use of the Terminals under the Tariff, as modified by the Rate Methodology and this Agreement over the most recent twelve (12) month period for which such payments have been made.
- (b) Timing of Required Payments. Payments of the ECPCs to be made by Airline in any given fiscal year shall be made on the first day of each month. The amount of each such payment shall be calculated by dividing the total amount of ECPCs Airline must pay during such year by the number of months remaining in the year.

10.6. Adjustments-to-Actual for ECPCs. When City makes its annual adjustments-to-actual under Section 2.10 of the Rate Methodology, City shall also recalculate any ECPCs on the basis of actual Adjusted Net Pledged Revenues and Total LAX Obligations and other factors affecting the prescribed calculations and shall determine the amount of any overpayment (credit) or underpayment (debit) due to or from each Signatory Airline. Any resulting credit shall be issued to Airline, and any resulting debit shall be invoiced to and payable by Airline, as prescribed in Section 2.10 of the Rate Methodology.

10.7. Refunds of ECPCs in Future Years. If ECPCs are paid in any given fiscal year, City shall in subsequent fiscal years credit each Signatory Airline with its proportionate share of such payments as soon as, and to the extent, the Coverage Amount exceeds the Coverage Target. Credits for past ECPCs paid can only be used by a Signatory Airline, including Airline, as an offset against amounts due to City in the following order of priority: first, against any amounts due to City on account of Airline's use of Terminal space at the Airport; and second, against any landing fees due to City on account of Airline's use of the airfield at the Airport. Credits for past ECPCs paid will not be issued in cash. Such credits must be used within twenty-four (24) months after they are issued and expire immediately if Airline ceases operations at the Airport for any reason other than the closure of the Airport. Any unused credits that expire shall be applied by City against any

outstanding amount due on account of Airline's use of Terminal space or use of the airfield at the Airport, and the remaining balance, if any, of such credits shall be retained in the Tier Two Revenue Sharing Fund and distributed at the end of the next calendar year in accordance with Section 8.2(b)(i).

10.8. Paydown of Debt. City may at any time, but shall not be obligated to, use available Pledged Revenues to pay down bond principal allocable to the Terminal, to reduce outstanding debt and the amount, frequency or duration of any ECPCs. Any such payments will be recovered through amortization charges based on the remaining economic life of the Capital Improvements funded by the outstanding bonds or the last maturity date of the bonds that were paid down, whichever is shorter.

11. Performance Guaranty.

11.1. Definitions.

- (a) "Bad Debt" shall mean a monetary amount owed to City by an air carrier or airline consortium with respect to the Terminals that is unlikely to be paid as it is beyond the collectible period as set by City policy.
- (b) "Bad Debt Recovery" shall mean the recapture of Bad Debt that has previously been included in the Operations and Maintenance Requirement calculated under Section 2.2.1(b) of the Rate Methodology.
- (c) "Performance Guaranty" shall mean the performance guarantee required by Section 15 of the Tariff and the performance guarantee provision of Airline's lease (if any).

11.2. Rate Recovery of Bad Debt. At the time City establishes rates and charges to be effective on January 1 of the following calendar year under Section 2 of the Rate Methodology, City shall also calculate a "Bad Debt Surcharge" to recover its costs of Bad Debt. The aggregate amount of such a Surcharge shall be calculated by subtracting from any Bad Debt arising during the preceding fiscal year the amounts of any Bad Debt Recovery achieved during that year. If the amount of Bad Debt Recovery exceeds the amount of Bad Debt for any given year, the Surcharge will be a credit. The amount of each Signatory Airline's share of the total Bad Debt Surcharge (or credit) shall be based upon each Signatory Airline's proportionate share of total payments (excluding ECPCs, if any) by all Signatory Airlines for use of the Terminals under the Tariff, as modified by the Rate Methodology and this Agreement, in the most recent completed calendar year. Such surcharges or credits shall be distributed at the same time and in the same manner as adjustments-to-actual under Section 2.10 of the Rate Methodology. Illustrative calculations displaying how Bad Debt Surcharges will be calculated are attached to this Agreement as Exhibit L.

11.3. Relief from Obligation to Provide Performance Guaranty.

- (a) Subject to Section 11.5, City shall not require any Signatory Airline, including Airline, to provide a Performance Guaranty as otherwise required by Section 15 of the Tariff or such Signatory Airline's lease (if any) if such

Signatory Airline was also a Signatory Airline under the 2013 Rate Agreement and has not failed, after any applicable notice and cure period, to make timely, full payments of all rentals, fees and charges due to City during the preceding thirty-six (36) months.

- (b) Subject to Section 11.5, City may, in its discretion, choose not to require a new Signatory Airline under this Agreement to provide a Performance Guaranty under Section 15 of the Tariff or such Signatory Airline's lease (if any) if such Signatory Airline commences regular scheduled service at the Airport on or after January 1, 2020 and such new Signatory Airline (a) has not in the past failed to make timely payments, if any, due to City and (b) demonstrates to City's satisfaction that it has an established track record of making timely payments to at least three (3) other large-hub or medium-hub airports (selected at City's discretion) during at least the preceding thirty-six (36) months and has not been defaulted for failure to make timely payments due at any such airports during the preceding thirty-six (36) months.

11.4. Requirement to Provide Performance Guaranty. Except as provided in Section 11.3, Airline shall provide City with a Performance Guaranty in accordance with Section 15 of the Tariff or the applicable provisions of Airline's lease (if any).

11.5. Reinstatement of Performance Guaranty Requirement. Even if Airline has previously been relieved of its obligation to provide a Performance Guaranty by reason of Section 11.3, City shall require Airline to provide a Performance Guaranty in accordance with Section 15 of the Tariff or the applicable provisions of Airline's lease (if any) if Airline fails, after any applicable notice and cure period, to make timely, full payments of all rentals, fees and charges due to City. In such event, Airline shall, within thirty (30) days from its receipt of written notice of default, provide a Performance Guaranty to City in such form and amounts, and subject to such terms and conditions, as are specified in Section 15 of the Tariff or the applicable provisions of Airline's lease (if any).

12. Final Adjustments-to-Actual Under This Agreement. For calendar year 2032, the final year of the Term, City shall calculate adjustments-to-actual in accordance with Section 2.10 of the Rate Methodology as modified by this Agreement (including the adjustment-to-actual for ECPCs, if any, required by Section 10.6, above). Any resulting credit will be issued to Airline, and any resulting debit will be invoiced to and payable by Airline, as prescribed in Section 2.10 of the Rate Methodology.

13. Equalization of Common Use Charges.

13.1. Charges for Facilities. City and Airline acknowledge that one of the objectives of the Rate Methodology is to create a system of equalized terminal charges for all airlines using common use facilities at the Airport. In accordance with Sections 2.4 through 2.7 of the Rate Methodology, LAWA calculates and charges the same Common Use Holdroom Rate, Common Use Baggage Claim System Rate, Common Use Outbound Baggage System Rate and Common Use Ticket Counter Rate throughout the Airport. In some Terminals, however, an airline

consortium or an individual airline leases (or may in the future be permitted to lease) baggage claim systems, outbound baggage systems or ticket counters that are used on a common use basis by other airlines operating from common use holdrooms. In such circumstances, in order to recover their costs the airline consortium or airline leasing such facilities may charge fees to airlines using their facilities on a common use basis which differ from the corresponding equalized terminal charges that would have been due to LAWA if LAWA were providing these facilities. Consistent with the goals of the Rate Methodology, City and Airline commit to work together in good faith to promptly develop and implement appropriate mechanisms to substantially reduce or eliminate such differences in future charges while at the same time providing for the recovery of costs borne by airline consortia or individual airlines that lease and are responsible for such facilities.

13.2. Charges for Services. City and Airline also commit to work together in good faith to substantially reduce or eliminate any such differences in charges to airlines using their facilities on a common use basis for services provided by Airline that airlines are required to provide to their passengers (such as, but not limited to, services required by the Americans with Disabilities Act or the Air Carrier Access Act). City and Airline acknowledge that while the goal is to eliminate differences in charges for the same types and levels of services, it may be appropriate in charging for various services to differentiate between domestic and international operations or to take into account other differences in airline operations that make equalized charges inappropriate. Nothing in this Section is intended to affect charges by Airline for optional services that are requested by an airline. - -

14. No Challenge to Rate Methodology. Airline agrees that it will not contest or challenge, in any forum, the reasonableness or validity of the Rate Methodology; provided, however, that Airline reserves the right to dispute whether the rates adopted by City for any given calendar year were calculated in accordance with the Rate Methodology and this Agreement. Any such dispute shall be resolved in a court of competent jurisdiction in Los Angeles County, California unless otherwise agreed by City.

15. More Favorable Rate Methodology. If during the Term of this Agreement City adopts a new Tariff or otherwise makes available to other airlines an alternative rate methodology that is more favorable than the Rate Methodology, Airline may, at its option, elect to have its rates and charges calculated under such alternative rate methodology rather than in accordance with this Agreement; provided, however, that if Airline makes such an election, Airline shall waive whatever rights, if any, it might have to Tier One Revenue Sharing and Tier Two Revenue Sharing under this Agreement.

16. No Third Party Rights or Obligations. No person or entity not a Party to or expressly identified as a beneficiary under this Agreement shall have any third-party beneficiary or other rights under this Agreement.

17. Applicable Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of California.

18. Venue. Any litigation concerning this Agreement may only be filed in a court of competent jurisdiction in Los Angeles County, California.

19. Binding Agreement. This Agreement shall be binding upon the Parties hereto and their respective successors and assigns, corporate parents, subsidiaries and affiliates, and representatives, including a debtor in possession, a chapter 11 trustee or a chapter 7 trustee in a case or cases commenced under 11 U.S.C. §§ 101 *et seq.*

20. Headings. Descriptive headings are used in this Agreement for convenience only and shall not control, limit, amplify or otherwise modify or affect the terms and provisions of this Agreement or the meaning or construction of the terms and provisions of this Agreement.

21. Multiple Counterparts. This Agreement may be executed in a number of identical counterparts, each of which for all purposes is deemed an original, and all of which constitute collectively one agreement. Facsimile signatures may be utilized, but original signature pages must be provided to the Board.

22. Sole Agreement. THIS WRITTEN AGREEMENT REPRESENTS THE FINAL AGREEMENT AMONG THE PARTIES WITH RESPECT TO THE SUBJECT MATTER HEREOF, AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS. THERE ARE NO UNWRITTEN ORAL AGREEMENTS AMONG THE PARTIES.

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EXECUTION COPY

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

THE CITY OF LOS ANGELES; LOS ANGELES WORLD AIRPORTS; LOS ANGELES BOARD OF AIRPORT COMMISSIONERS

TBITEC

By: [Signature]

Printed Name:

SHEILA ONEIL

Its: CHAIR PERSON

DATE: 02/28/, 2020

Attest:

By: [Signature]

Printed Name:

David Thomas

Its: SECRETARY

DATE: 03 March, 2020

By: [Signature]

Printed Name:

Its: \_\_\_\_\_

APPROVED AS TO FORM:  
MICHAEL N. FEUER, City Attorney

By: Tamami Yamaguchi  
Deputy/Assistant City Attorney

DATE: 08 / 07 /, 2020

# NBL-4348A - TBITEC

Final Audit Report

2020-08-07

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## EXHIBIT A

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

The following rates and charges methodology for the use of passenger terminals (the "Terminals") 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.

"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 calendar year when such Capital Improvement is put in service or, if no Airport debt was sold, 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.

"Common Use Areas," previously referred to as "Joint Use Areas" under the Tariff, shall mean the space in any Terminal designated by the Executive Director to 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 Baggage Claim Areas and Common Use Outbound Baggage System Areas.

"Common Use Baggage Claim Areas" shall mean the space in any Terminal (excluding the FIS Areas) designated by the Executive Director 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 Baggage Claim Systems are located.

"Common Use Baggage Claim System" shall mean equipment that delivers inbound baggage to arriving passengers.

"Common Use Holdrooms" shall mean the space in any Terminal designated by the Executive Director 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 Executive Director to be used in common with other Airlines for the sorting of outbound baggage for delivery to departing aircraft and includes the areas where Common Use Outbound Baggage Systems are located.

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

"Deplaned Domestic Passengers" shall mean the actual 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 actual 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 actual 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.

"Executive Director" shall mean the Executive Director of the Department of Airports of the City of Los Angeles, California, or his or her designee.

"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 Executive Director 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.

"New Rate Methodology" shall mean the rate methodology set forth in this document.

"Operations and Maintenance Expenses," previously referred to as "Terminal Expenses" under the Tariff, shall mean the total operations and maintenance expenses 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 Executive Director.

"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 Executive Director. 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.

"Terminals" shall mean all of the airline passenger terminals at the Airport except for Terminal 4 unless and until all Airlines using Terminal 4 are subject to the New Rate Methodology.

"Terminal Airline Support Systems" shall mean an information technology system, used to allocate terminal resources (gates, stands, ticket counters, baggage carousels, bag sortation piers, flight information displays, gate information displays, and public address systems) to assist Airlines with passenger processing.

"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-5.

2.1.2. Airline Consultations on Proposed Rates and Charges. No later than November 1 of each year, the Executive Director 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 succeeding calendar year. The Executive Director shall, upon request by any such Airline, consult with such Airlines concerning the then proposed rates and charges. No later than December 1 of each year, the Executive Director shall make any revisions to the proposed rates and charges as the Executive Director 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 January 1 of the following calendar 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 calendar 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 following calendar year.

(b) Calculation of Operations and Maintenance Requirement. Each year LAWA shall calculate the Operations and Maintenance Requirement by totaling the actual Operations and Maintenance Expenses and Reserve Deposits (if any) allocable to the Terminals (excluding the FIS Areas) for the immediately preceding 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 calendar 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 following calendar year and (ii) the actual Operations and Maintenance Expenses and

Reserve Deposits (if any) allocable to the FIS Areas for the immediately preceding Fiscal Year.

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. 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 calendar year as follows:

2.4.1. The estimated Holdroom Requirement shall be computed as the product of the Terminal Buildings Rate and the total square footage of all Common Use Holdrooms in the Terminals.

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 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:

Relative Charge per Turn

Class 1:	3.00x
Class 2:	2.00x
Class 3:	1.50x
Class 4:	1.25x
Class 5:	1.00x
Class 6:	0.75x

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. 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 Baggage Claim System Rate. Each year LAWA shall calculate the estimated Common Use Baggage Claim System Rate for the next calendar year as follows:

2.5.1. The estimated Common Use Baggage Claim Requirement shall be computed as the product of the Terminal Buildings Rate and the total square footage of all Common Use Baggage Claim Areas in the Terminals.

2.5.2. The estimated Common Use Baggage Claim System Rate shall then be calculated by dividing the Baggage Claim Requirement by the estimated total annual number of Deplaned Domestic Passengers of Airlines using Common Use Baggage Claim Systems in any of the Terminals. LAWA may use the actual number of Deplaned Domestic Passengers of Airlines using Common Use Baggage Claim Systems in the immediately preceding Fiscal Year in calculating the estimated Common Use 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 calendar year as follows:

2.6.1. The estimated Common Use Outbound Baggage System Requirement shall be computed as the product of the Terminal Buildings Rate and the total square footage of all Common Use Outbound Baggage System Areas in the Terminals, less any credit for revenue generated by fees imposed under Section 2.6.3.

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

2.6.3. LAWA may also establish a reasonable fee to be charged to Airlines that use a portion of an outbound baggage system owned or leased by another Airline and pay a fee for such use to such other Airline and also use baggage make-up devices owned by LAWA. The revenue, if any, generated by such a fee shall be credited against the Common Use Outbound Baggage System Requirement calculated under Section 2.6.1.

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 calendar 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.

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. 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 calendar year as follows:

2.8.1.1. The Custodial Requirement shall be calculated by totaling the following from the immediately preceding Fiscal Year:

(a) the total actual payments by LAWA under service contracts for janitorial and cleaning services in all Terminals; and

(b) the total actual cost to LAWA of providing its own janitorial and cleaning services in all Terminals.

2.8.1.2. The Custodial Requirement shall then be divided by the total square footage of all areas (whether Public Areas or Rental 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 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 the subject of these Terminal Specific Charges and may use the actual numbers of such passengers in the immediately preceding Fiscal Year in calculating these rates.

2.8.2. Outbound Baggage System Maintenance Rate. Each year LAWA shall calculate the estimated Outbound Baggage System Maintenance Rate for the next calendar year as follows:

2.8.2.1. The Outbound Baggage System Maintenance Requirement shall be calculated by totaling the following actual amounts from the previous Fiscal Year:

(a) the total actual payments by LAWA under service contracts for maintaining and repairing Common Use Outbound Baggage Systems in all Terminals; and

(b) the total actual cost to LAWA of maintenance and repair of the Common Use Outbound Baggage Systems in all Terminals.

2.8.2.2. The estimated Outbound Baggage System Maintenance Rate shall then be calculated by dividing the Outbound Baggage System Maintenance Requirement by the estimated total annual number of Enplaned Passengers of Airlines using the Common Use Outbound Baggage System in Terminals in which LAWA maintains and repairs the Common Use Outbound Baggage Systems. LAWA may use the actual numbers of such passengers in the immediately preceding Fiscal Year in calculating the estimated Outbound Baggage System Maintenance Rate.

2.8.3. Terminal Airline Support System Rate. Each year LAWA shall calculate the estimated Terminal Airline Support System Rate for the next calendar year as follows:

2.8.3.1. The estimated Terminal Airline Support System Requirement shall be calculated by totaling (a) the prior Fiscal Year's Operations and Maintenance Expenses allocable to the Airline Support System and (b) all budgeted Capital Costs allocable to the Airline Support System and to be paid by LAWA for the next calendar year.

2.8.3.2. The estimated Terminal Airline Support System Rate shall then be calculated by dividing the estimated Terminal Airline Support System Requirement by the estimated total annual number of Enplaned Passengers of Airlines using the Terminal Airline Support System. LAWA may use the actual number of Enplaned Passengers of Airlines using the Terminal Airline Support System in the immediately preceding Fiscal Year in calculating the estimated Terminal Airline Support System Rate.

2.8.4. Common Use Loading Bridge Rate. Each year LAWA shall calculate the estimated Common Use Loading Bridge Capital Rate and the Common Use Loading Bridge O&M Rate for the use of Loading Bridges for the next calendar year as follows:

2.8.4.1. The Average Common Use Loading Bridge Capital Requirement shall be calculated by dividing all budgeted Capital Costs allocable to Common Use Loading Bridges for the following calendar year by the total number of Common Use Loading Bridges.

2.8.4.2. The Average Common Use Loading Bridge O&M Requirement for Common Use Loading Bridges maintained by LAWA shall be calculated by dividing the prior Fiscal Year's Operations and Maintenance Expenses allocable to such Common Use Loading Bridges by the total number of Common Use Loading Bridges maintained by LAWA.

2.8.4.3. The estimated Common Use Loading Bridge Capital Rate shall be calculated by multiplying the Average Common Use Loading Bridge Capital Requirement by the total number of Common Use Loading Bridges and then dividing by the total annual number of Turns at all of the Common Use Loading Bridges, so that the capital charges for use of the Common Use 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 Common Use Loading Bridges in the immediately preceding Fiscal Year in calculating the estimated Common Use Loading Bridge Capital Rate.

2.8.4.4. The estimated Common Use Loading Bridge O&M Rate for Common Use Loading Bridges maintained by LAWA shall be calculated by multiplying the Average Common Use Loading Bridge O&M Requirement by the total number of such Common Use Loading Bridges and then dividing by the total annual number of Turns at all such Common Use Loading Bridges, so that the maintenance charges for use of such Common Use 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 Common Use Loading Bridges in the immediately preceding Fiscal Year in calculating the estimated Common Use Loading Bridge O&M Rate.

2.8.5. Future Terminal Special Charges. The Executive Director, 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; provided, however, that any such services or equipment were first provided by LAWA after December 31, 2012. 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.

2.9. Mid-year Adjustments. If it appears to LAWA, on the basis of information it is able to accumulate during the course of any calendar year, that the estimated expenses (excluding Operations and Maintenance Expenses and the costs referred to in Sections 2.8.1.1 and 2.8.2.1) or projected levels of Airline activity 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 calendar year (a) as the need for such an adjustment becomes apparent to LAWA or (b) the variance between the estimated 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 calendar year, LAWA shall recalculate the rates and charges as set forth in this Section 2 on the basis of actual expenses (excluding Operations and Maintenance Expenses and the costs referred to in Sections 2.8.1.1 and 2.8.2.1), 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.

## EXHIBIT A

### 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.

Exhibit A

TERMINAL BUILDINGS RATE  
 Illustrative Calculation pursuant to the New Rate Methodology  
 Los Angeles International Airport  
 Calendar year

		Hypothetical Year
Unified Capital Requirement (a)		
Gross debt service		\$83,400,000
Less: PFC revenues		(52,600,000)
Debt service		\$30,900,000
Debt service coverage		7,700,000
Amortization		30,800,000
Unified Capital Requirement	(A)	\$69,400,000
Operations and Maintenance Requirement (b)	(B)	221,700,000
Less: Terminal 4 cost requirement	(C)	(33,950,000)
Terminal Buildings Requirement	(D=A+B+C)	\$257,150,000
Divided by: Rentable Area (c)	(E)	2,070,000
Terminal Buildings Rate (per square foot)	(=D/E)	\$124.23

Note: The results shown above are not projections.

- (a) See Section 2.2.1(a) of the New Rate Methodology.
- (b) See Section 2.2.1(b) of the New Rate Methodology.
- (c) See Section 1 of the New Rate Methodology.

Exhibit B

FIS RATE  
 Illustrative Calculation pursuant to the New Rate Methodology  
 Los Angeles International Airport  
 Calendar year

		Hypothetical Year
Capital Costs		
Gross debt service		\$36,400,000
Less: PFC revenues		(9,400,000)
Debt service		\$27,100,000
Debt service coverage		6,800,000
Amortization		2,800,000
Capital Costs	[A]	\$36,700,000
Operations and Maintenance Expenses	[B]	39,700,000
Gross FIS Requirement	[C=A+B]	\$76,400,000
Less: Rental revenue of space in FIS Areas from governmental agencies	[D]	(100,000)
Net FIS Requirement (a)	[E=C+D]	\$76,300,000
Divided by: Deplaned International Passengers (b)	[F]	7,300,000
FIS Rate (per deplaned international passenger)	[E/F]	\$10.45

Note: The results shown above are not projections.

(a) See Section 2.3 of the New Rate Methodology.

(b) See Section 1 of the New Rate Methodology.

Exhibit C

COMMON USE HOLDROOM RATE  
 Illustrative Calculation pursuant to the New Rate Methodology  
 Los Angeles International Airport  
 Calendar year

	Hypothetical Year
Terminal Buildings Rate (a)	\$124.23
Times: Common Use Holdroom Space (square feet)	268,000
Holdroom Requirement (b)	\$33,300,000
Divided by: Estimated Turns (weighted by aircraft class) (c)	117,300
Common Use Holdroom Rate (per full turn)	\$283.89

Common Use Holdroom Rates (per full turn) (by aircraft class): (c)

Class	Common Use	Relative charge	Weighted
	Holdroom Rate	per turn	Common Use
	(A)	(B)	[=A*B]
1	\$283.89	3.00	\$851.67
2	\$283.89	2.00	\$567.78
3	\$283.89	1.50	\$425.84
4	\$283.89	1.25	\$354.86
5	\$283.89	1.00	\$283.89
6	\$283.89	0.75	\$212.92

Note: The results shown above are not projections.

- (a) See illustrative Exhibit A.
- (b) See Section 2.4.1 of the New Rate Methodology.
- (c) See Section 2.4.2 of the New Rate Methodology.  
 Expected use of Common Use Holdrooms (by aircraft class)

Class	Illustrative turns	Relative charge per turn	Illustrative turns (weighted)
1	1,500	3.00	4,500
2	6,000	2.00	12,000
3	14,800	1.50	22,200
4	1,100	1.25	1,400
5	74,500	1.00	74,500
6	3,600	0.75	2,700
	101,500		117,300

Exhibit D

COMMON USE BAGGAGE CLAIM SYSTEM RATE  
Illustrative Calculation pursuant to the New Rate Methodology  
Los Angeles International Airport  
Calendar year

	Hypothetical Year
Non-Signatory Airline Terminal Buildings Rate (a)	\$124.23
Multiplied by: Common Use Baggage Claim Areas (square feet)	76,000
Common Use Baggage Claim System Requirement (b)	\$9,441,000
Divided by: Deplaned Domestic Passengers	9,192,000
Common Use Baggage Claim System Rate (per deplaned domestic passenger)	<u>\$1.03</u>

Note: The results shown above are not projections.

(a) See Illustrative Exhibit A.

(b) See Section 2.5.1 of the New Rate Methodology.

Exhibit E

**COMMON USE OUTBOUND BAGGAGE SYSTEM RATE**  
Illustrative Calculation pursuant to the New Rate Methodology  
Los Angeles International Airport  
Calendar year

	Hypothetical Year
Non-Signatory Airline Terminal Buildings Rate (a)	\$124.23
Multiplied by: Common Use Outbound Baggage System Areas (square feet)	152,000
Common Use Outbound Baggage System Requirement (b)	\$18,883,000
Less: Fees for Terminal 6 common use bag make-up unit (c)	(500,000)
Net Common Use Outbound Baggage System Requirement (c)	\$18,383,000
Divided by: Enplaned Passengers	10,594,000
Common Use Outbound Baggage System Rate (per enplaned passenger)	\$1.74

Note: The results shown above are not projections.

(a) See illustrative Exhibit A.

(b) See Section 2.6.1 of the New Rate Methodology.

(c) Pursuant to Section 2.6.3 of the New Rate Methodology.

Exhibit F

COMMON USE TICKET COUNTER RATE  
Illustrative Calculation pursuant to the New Rate Methodology  
Los Angeles International Airport  
Calendar year

	Hypothetical Year
Non-Signatory Airline Terminal Buildings Rate (a)	\$124.23
Multiplied by: Common Use Ticket Counter space (square feet)	17,000
Common Use Ticket Counter Requirement (b)	\$2,112,000
Divided by: Enplaned Passengers	5,606,000
Common Use Ticket Counter Rate (per enplaned passenger)	<u>\$0.38</u>

Note: The results shown above are not projections.

(a) See illustrative Exhibit A.

(b) See Section 2.7.1 of the New Rate Methodology.

Exhibit G-1

**CUSTODIAL RATES**

Illustrative Calculation pursuant to the Tariff  
Los Angeles International Airport  
Calendar year

	Hypothetical Year
<b>CALCULATION OF THE AVERAGE CUSTODIAL RATE</b>	
Payments by LAWA under service contracts	\$3,885,000
Cost to LAWA of providing Janitorial services	31,683,000
Custodial Requirement (a)	\$35,568,000
Divided by: Terminal Building space receiving LAWA Custodial (b)	1,756,000
Average Custodial Rate	<u>\$20.26</u>
	=====

**CALCULATION OF THE CUSTODIAL RATES**

	Common Use Areas			
	Holdrooms	Outbound		
		Ticket Counters	Baggage System Areas	Baggage Claim Areas
Average Custodial Rate	\$20.26	\$20.26	\$20.26	\$20.26
Space	268,000	17,000	152,000	76,000
	<u>\$5,428,000</u>	<u>\$344,000</u>	<u>\$3,079,000</u>	<u>\$1,539,000</u>
Passengers (c)	14,247,000	5,606,000	10,594,000	9,192,000
Custodial Rate (per enpl./depl. passenger)	<u>\$0.38</u>	<u>\$0.06</u>	<u>\$0.29</u>	<u>\$0.17</u>

Note: The results shown above are not projections.

(a) See Section 2.8.1 of the New Rate Methodology.

(b) Terminal Building space receiving LAWA Custodial:

	Sq ft
Common Use Holdrooms	268,000
Common Use Ticket Counters	17,000
Common Use Outbound Baggage System Areas	152,000
Common Use Baggage Claim Areas	76,000
Common Use Areas	<u>513,000</u>
Public Areas	1,243,000
Terminal Building space receiving LAWA Custodial	<u>1,756,000</u>

(c) Only passengers on airlines using the specified Common Use Areas.

Holdrooms: Enplaned passengers in Terminals 1, 2, 3 and TBIT.

Ticket Counters: Enplaned passengers in Terminal 2 (excluding Hawaiian and Air Canada) and TBIT.

Outbound Baggage System Areas: Enplaned passengers in Terminals 1, 2 and 3.

Baggage Claim Areas: Deplaned passengers in Terminals 1, 2 (non-FIS) and 3.

Exhibit G-2

OUTBOUND BAGGAGE SYSTEM MAINTENANCE RATE  
Illustrative Calculation pursuant to the Tariff  
Los Angeles International Airport  
Calendar year

	Hypothetical Year
Payments by LAWA under service contracts	\$3,201,000
Cost to LAWA of providing maintenance services	-
Outbound Baggage System Maintenance Requirement (a)	\$3,201,000
Divided by: Enplaned passengers (b)	10,594,000
Outbound Baggage System Maintenance Rate (per enpl. passenger)	\$0.30

Note: The results shown above are not projections.

(a) See Section 2.8.2 of the New Rate Methodology.

(b) Enplaned passengers for all Terminals with LAWA-maintained Outbound Baggage Systems (T1, T2 and T3).

Exhibit G-3

TERMINAL AIRLINE SUPPORT SYSTEM RATE  
Illustrative Calculation pursuant to the Tariff  
Los Angeles International Airport  
Calendar year

	Hypothetical Year
Payments by LAWA under service contracts	\$0
Cost to LAWA of providing maintenance services	2,166,000
Terminal Airline Support System Requirement (a)	\$2,166,000
Divided by: Enplaned Passengers (b)	7,008,000
Terminal Airline Support System Rate (per enplaned passenger)	\$0.31

**Note: The results shown above are not projections.**

To be calculated separately for each Terminal that has a LAWA-provided Airline Support System.

- (a) See Section 2.8.3 of the New Rate Methodology.
- (b) Enplaned passengers for all Terminals with LAWA-maintained Terminal Airline Support Systems (T3 and TBIT).

Exhibit G-4

LOADING BRIDGE RATE -- MAINTENANCE  
 Illustrative Calculation pursuant to the Tariff  
 Los Angeles International Airport  
 Calendar year

			Hypothetical Year
LOADING BRIDGE RATE-- MAINTENANCE (a)			
O&M Expenses of LAWA-maintained loading bridges			\$1,719,000
Divided by: Number of LAWA-maintained loading bridges (b)			43
Loading Bridge Maintenance Charge (per bridge) (c)			\$40,000
Divided by: Estimated annual turns (per bridge) (weighted)			2,147
Loading Bridge Maintenance Rate (per full turn) (d)			\$18.63
Loading Bridge Maintenance Rates (per full turn) (by aircraft class): (e)			
Class	Loading Bridge Maintenance Rate (A)	Relative charge per turn (B)	Weighted Loading Bridge Capital Rate (=A*B)
1	\$18.63	3.00	\$55.89
2	\$18.63	2.00	\$37.26
3	\$18.63	1.50	\$27.95
4	\$18.63	1.25	\$23.29
5	\$18.63	1.00	\$18.63
6	\$18.63	0.75	\$13.97

Note: The results shown above are not projections.

- (a) See Section 2.8.4 of the New Rate Methodology.
- (b) All bridges in Terminals 1, 2 and 3, and 6 bridges in Terminal 6.
- (c) Per-bridge charge levied to airlines using preferential-use holdrooms.
- (d) Per-turn rate levied to airlines using Common Use Holdrooms.
- (e) Weighting by aircraft class matches the weighting of Common Use Holdroom Rates. Expected use of Common Use Holdrooms (by aircraft class):

Maintenance:	Class	Illustrative turns	Relative charge per turn	Illustrative turns (weighted)
	1	400	3.00	1,200
	2	1,600	2.00	3,200
	3	5,400	1.50	8,100
	4	1,500	1.25	1,900
	5	75,200	1.00	75,200
	6	3,600	0.75	2,700
		87,700		92,300
Divided by: Number of LAWA-maintained loading bridges				43
Estimated annual turns (per bridge) (weighted)				2,147

Exhibit G-5

LOADING BRIDGE RATE -- CAPITAL  
 Illustrative Calculation pursuant to the Tariff  
 Los Angeles International Airport  
 Calendar year

	Hypothetical Year		
LOADING BRIDGE RATE -- CAPITAL (a)			
Capital costs of LAWA-owned loading bridges	\$1,409,000		
Divided by: Number of LAWA-owned loading bridges (b)	86		
Loading Bridge Capital Charge (per bridge) (c)	\$16,000		
Divided by: Estimated annual turns (per bridge) (weighted)	1,547		
Loading Bridge Capital Rate (per full turn) (d)	\$10.35		
Loading Bridge Capital Rates (per full turn) (by aircraft class): (e)	Weighted		
	Loading Bridge Capital Rate		
	Relative charge per turn		
	Loading Bridge Capital Rate		
	(=A*B)		
Class	(A)	(B)	(C)
1	\$10.35	3.00	\$31.05
2	\$10.35	2.00	\$20.70
3	\$10.35	1.50	\$15.53
4	\$10.35	1.25	\$12.94
5	\$10.35	1.00	\$10.35
6	\$10.35	0.75	\$7.76

Note: The results shown above are not projections.

- (a) See Section 2.8.4 of the New Rate Methodology.
- (b) All bridges in Terminals 1, 2, 3, 6 and TBIT (including remote gates).
- (c) Per-bridge charge levied to airlines using preferential-use holdrooms.
- (d) Per-turn rate levied to airlines using Common Use Holdrooms.
- (e) Weighting by aircraft class matches the weighting of Common Use Holdroom Rates.  
 Expected use of Common Use Holdrooms (by aircraft class):

	Class	Illustrative turns	Relative charge per turn	Illustrative turns (weighted)
Capital:	1	1,500	3.00	4,500
	2	6,000	2.00	12,000
	3	14,800	1.50	22,200
	4	1,100	1.25	1,400
	5	85,900	1.00	85,900
	6	8,800	0.75	7,000
		118,100		133,000

Divided by: Number of LAWA-maintained loading bridges 86  
 Estimated annual turns (per bridge) (weighted) 1,547

Exhibit B

**TERMINAL BUILDINGS RATE**  
 Illustrative Calculation Pursuant to the Rate Agreement  
 Los Angeles International Airport  
 Calendar year

		<u>Hypothetical Year</u>
<b>Unified Capital Requirement (a)</b>		
Gross debt service		\$ 83,400,000
Less: PFC revenues		(52,400,000)
Debt service		<u>\$ 31,000,000</u>
Debt service coverage		7,700,000
Amortization		<u>30,800,000</u>
Unified Capital Requirement	[A]	\$ 69,500,000
Operations and Maintenance Requirement (b)	[B]	<u>221,700,000</u>
Terminal Buildings Requirement	[C=A+B]	\$ 291,200,000
Less: Tier One Terminal Buildings Revenues Sharing (c)	[D]	<u>(800,000)</u>
Net Terminal Buildings Requirement	[E=C+D]	\$ 290,400,000
Divided by: Rentable Area (d)	[F]	<u>2,425,000</u>
<b>Terminal Buildings Rate (per square foot)</b>	<b>=[E/F]</b>	<b><u>\$ 119.75</u></b>

**Note: The results shown above are not projections.**

- (a) See Section 2.2.1(a) of the Rate Methodology (adopted 9/7/2012).
- (b) See Section 2.2.1(b) of the Rate Methodology (adopted 9/7/2012).
- (c) See Section 4.1 of the Rate Agreement.
- (d) See Section 1 of the Rate Methodology (adopted 9/7/2012).

Exhibit C

**FIS RATE**

Illustrative Calculation Pursuant to the Rate Agreement  
Los Angeles International Airport  
Calendar year

		<u>Hypothetical Year</u>
<b>Capital Costs</b>		
Gross debt service		\$ 36,400,000
Less: PFC revenues		(9,400,000)
Debt service		<u>\$ 27,000,000</u>
Debt service coverage		6,750,000
Amortization		<u>2,800,000</u>
Capital Costs	[A]	\$ 36,550,000
Operations and Maintenance Expenses	[B]	<u>39,700,000</u>
Gross FIS Requirement	[C=A+B]	\$ 76,250,000
Less: Rental revenue of space in FIS Areas from governmental agencies	[D]	<u>(100,000)</u>
Net FIS Requirement (a)	[E=C+D]	\$ 76,150,000
Less: Tier One FIS Concession Revenue (b)	[F]	<u>(10,600,000)</u>
Net FIS Requirement	[G=E+F]	\$ 65,550,000
Divided by: Deplaned International Passengers (c)	[H]	<u>7,300,000</u>
<b>FIS Rate (per Deplaned International Passenger)</b>	<b>=[G/H]</b>	<u><u>\$ 8.98</u></u>

**Note: The results shown above are not projections.**

(a) See Section 2.3 of the Rate Methodology (adopted 9/7/2012).

(b) See Section 4.2 of the Rate Agreement.

(c) See Section 1 of the Rate Methodology (adopted 9/7/2012).

Exhibit D

**COMMON USE HOLDROOM RATE**  
 Illustrative Calculation Pursuant to the Rate Agreement  
 Los Angeles International Airport  
 Calendar year

	<b>Hypothetical Year</b>
Signatory Airline Terminal Buildings Rate (a)	\$ 119.75
Times: Common Use Holdroom Space (square feet)	268,000
Holdroom Requirement (b)	32,093,691
Divided by: Estimated Turns (weighted by aircraft class) (c)	117,300
<b>Common Use Holdroom Rate (per full turn)</b>	<b>\$ 273.60</b>

Common Use Holdroom Rates (per full turn) (by aircraft class): (c)

<u>Class</u>	<u>Common Use Holdroom Rate</u>	<u>Relative charge per turn</u>	<u>Weighted Common Use Holdroom Rate</u>
	[A]	[B]	[A*B]
1	\$273.60	3.00	\$820.81
2	\$273.60	2.00	\$547.21
3	\$273.60	1.50	\$410.41
4	\$273.60	1.25	\$342.00
5	\$273.60	1.00	\$273.60
6	\$273.60	0.75	\$205.20

**Note: The results shown above are not projections.**

(a) See illustrative Exhibit B.

(b) See Section 2.4.1 of the Rate Methodology (adopted 9/7/2012).

(c) See Section 2.4.2 of the Rate Methodology (adopted 9/7/2012).

Assumed use of Common Use Holdrooms (by aircraft class).

<u>Class</u>	<u>Illustrative turns</u>	<u>Relative charge per turn</u>	<u>Illustrative turns (weighted)</u>
1	1,500	3.00	4,500
2	6,000	2.00	12,000
3	14,800	1.50	22,200
4	1,100	1.25	1,400
5	74,500	1.00	74,500
6	3,600	0.75	2,700
	<u>101,500</u>		<u>117,300</u>

Exhibit E

**COMMON USE BAGGAGE CLAIM SYSTEM RATE**  
Illustrative Calculation Pursuant to the Rate Agreement  
Los Angeles International Airport  
Calendar year

	<b>Hypothetical Year</b>
Signatory Airline Terminal Buildings Rate (a)	\$ 119.75
Multiplied by: Common Use Baggage Claim Areas (square feet)	76,000
Common Use Baggage Claim System Requirement (b)	\$ 9,101,196
Divided by: Deplaned Domestic Passengers	9,192,000
<b>Common Use Baggage Claim System Rate (per deplaned domestic passenger)</b>	<b>\$ 0.99</b>

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**Note: The results shown above are not projections.**

(a) See illustrative Exhibit B.

(b) See Section 2.5.1 of the Rate Methodology (adopted 9/7/2012).

Exhibit F

**COMMON USE OUTBOUND BAGGAGE SYSTEM RATE**  
Illustrative Calculation Pursuant to the Rate Agreement  
Los Angeles International Airport  
Calendar year

	Hypothetical Year
Signatory Airline Terminal Buildings Rate (a)	\$ 119.75
Multiplied by: Common Use Outbound Baggage System Areas (square feet)	152,000
Common Use Outbound Baggage System Requirement (b)	\$ 18,202,392
Less: Fees for Terminal 6 common use bag make-up unit (c)	(500,000)
Net Common Use Outbound Baggage System Requirement	\$ 17,702,392
Divided by: Enplaned Passengers	10,594,000
<b>Common Use Outbound Baggage System Rate (per enplaned passenger)</b>	<b>\$ 1.67</b>

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**Note: The results shown above are not projections.**

(a) See illustrative Exhibit B.

(b) See Section 2.6.1 of the Rate Methodology (adopted 9/7/2012).

(c) Pursuant to Section 2.6.3 of the Rate Methodology (adopted 9/7/2012).

Exhibit G

**COMMON USE TICKET COUNTER RATE**

Illustrative Calculation Pursuant to the Rate Agreement  
Los Angeles International Airport  
Calendar year

	<u>Hypothetical Year</u>
Signatory Airline Terminal Buildings Rate (a)	\$ 119.75
Multiplied by: Common Use Ticket Counter space (square feet)	<u>17,000</u>
Common Use Ticket Counter Requirement (b)	\$ 2,035,794
Divided by: Enplaned Passengers	<u>5,606,000</u>
<b>Common Use Ticket Counter Rate (per enplaned passenger)</b>	<b><u>\$ 0.36</u></b>

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**Note: The results shown above are not projections.**

(a) See illustrative Exhibit B.

(b) See Section 2.7.1 of the Rate Methodology (adopted 9/7/2012).

Exhibit H

**CALCULATION OF TIER ONE REVENUE SHARING**  
Illustrative Calculation Pursuant to the Rate Agreement  
Los Angeles International Airport  
Calendar year

	Share	Hypothetical Year
<b>TERMINALS</b>		
Concession Revenues		\$ 120,000,000
Less: Terminal Buildings Concession Baseline (a)		(90,600,000)
Revenues available for Tier One		\$ 29,400,000
Tier One Terminal Buildings Concession Revenues	50%	\$ 14,700,000
<b>FIS</b>		
FIS Concessions (b)		\$ 95,000,000
Tier One FIS Concession Revenues	25%	\$ 23,750,000

**Note: Revenues generated in Terminal 4 are included.**

(a) Escalates at CPI (all consumers, all items) for the Los Angeles-Long Beach-Anaheim area.

(b) Includes duty free and foreign exchange.

Exhibit I  
**DEPOSIT TO TRIF AND  
TIER TWO REVENUE SHARING FUND DISTRIBUTIONS**  
Illustrative Calculation Pursuant to the Rate Agreement  
Los Angeles International Airport  
Calendar year

		Hypothetical Year	
Total Revenues in the Terminals		\$	500,000,000
Less: Debt service		\$	(58,000,000)
Less: Operations and Maintenance Expenses			(276,000,000)
Less: Required Deposits			(2,100,000)
Less: ECPCs			-
		\$	(336,100,000)
Net Terminal Area Cash Flow (NTACF)	[A]	\$	163,900,000
TRIF Deposit			
Net Terminal Area Cash Flow Cap	[B]	\$	139,200,000
Annual deposit to TRIF	[C=if A<B, then A, otherwise B]		139,200,000
Remaining Net Terminal Area Cash Flow	[C=A-B]	\$	24,700,000
Tier Two Revenue Sharing Deposit (from NTACF cap) (a)	[D=50% X C]	\$	12,350,000
Amount deposited to LAWA Revenue Fund			12,350,000
		\$	24,700,000
<b>TRIF Balance</b>			
TRIF Cap	[E]	\$	556,700,000
TRIF Balance	[F]		560,000,000
Amount in excess of TRIF Cap	[G=if F>E, then F-E, otherwise \$0]	\$	3,300,000
Tier Two Revenue Sharing Deposit (from TRIF Balance cap) (a)	[H=50% X G]	\$	1,650,000
Tier Two Revenue Sharing Distribution (a)			
Tier Two Revenue Sharing Deposit (from NTACF cap)	=[D]	\$	12,350,000
Tier Two Revenue Sharing Deposit (from TRIF Balance cap)	=[H]		1,650,000
Total Tier Two Revenue Sharing Deposit (a)		\$	14,000,000

		Relative share of Terminals revenues		
Airline (b)	Total Terminals revenues (c)		Tier Two Credits (a)	
Airline 1	\$ 30,000,000	45.5%	\$ 6,370,000	
Airline 2	20,000,000	30.3%	4,242,000	
Airline 3	10,000,000	15.2%	2,128,000	
Airline 4	5,000,000	7.6%	1,064,000	
Airline 5	1,000,000	1.4%	196,000	
	\$ 66,000,000	100.0%	\$ 14,000,000	

**Note:** The results shown above are not projections.  
(a) See Section 8.2(b)(i) of the Rate Agreement.  
(b) Only for Signatory Airlines and Signatory Consortiums.  
(c) Excludes ECPCs.

Exhibit J

**CALCULATION OF COVERAGE AMOUNT AND EXTRAORDINARY COVERAGE PROTECTION CHARGE (ECPC)**  
 Illustrative Calculation Pursuant to the Rate Agreement  
 Los Angeles International Airport  
 Fiscal Year

		Example 1: Coverage Target Met No ECPC No NRTC	Example 2 (a): Coverage Target NOT Met With ECPC No NRTC	Example 3 (a): Coverage Target NOT Met With ECPC With NRTC
<b>COVERAGE CALCULATION</b>				
Pledged Revenues	[A]	\$ 2,633,000,000	\$ 2,275,000,000	\$ 2,275,000,000
Less: LAX O&M Expenses	[B]	(1,222,000,000)	(1,222,000,000)	(1,222,000,000)
Net Pledged Revenues	[C=A+B]	\$ 1,411,000,000	\$ 1,053,000,000	\$ 1,053,000,000
Plus: Included PFC Revenues	[D]	\$ 230,000,000	\$ 230,000,000	\$ 230,000,000
Plus: Included CFC Revenues	[E]	36,000,000	36,000,000	36,000,000
Adjusted Net Pledged Revenues	[F=C+D+E]	\$ 1,677,000,000	\$ 1,319,000,000	\$ 1,319,000,000
Gross Annual Debt Service	[G]	\$ 863,000,000	\$ 863,000,000	\$ 863,000,000
APM Capital AP plus ConRAC Capital AP	[H]	105,000,000	105,000,000	105,000,000
Total LAX Obligations	[I=G+H]	\$ 968,000,000	\$ 968,000,000	\$ 968,000,000
Coverage Amount	[J=F/I]	1.73	1.36	1.36
Coverage Target	[K]	1.40	1.40	1.40
Coverage Target shortfall (if any)	[L=K-J, if positive]	No ECPC	0.04	0.04
<b>CALCULATION OF ECPC</b>				
ECPC	[M=L x I]	\$ -	\$ 36,200,000	\$ 36,200,000
Less: NRTC (see Exhibit K, for Example 3)	[N]	No NRTC	No NRTC	(5,225,000)
ECPC net of NRTC	[O=M+N]	\$ -	\$ 36,200,000	\$ 30,975,000
Revised Adjusted Net Pledged Revenues (b)	[P=F + O]	n/a	\$ 1,355,200,000	\$ 1,349,975,000
Total LAX Obligations	[I] from above	n/a	968,000,000	968,000,000
Coverage Amount incorporating ECPC	[P / I]	n/a	1.40	1.39

(a) Pledged Revenues in Examples 2 and 3 are purposefully different from Example 1, for illustrative purposes only.  
 (b) Includes ECPCs collected from Signatory Airlines and Signatory Consortiums.

Exhibit K

**CALCULATION OF NONAIRLINE REVENUE TARGET CREDIT (NRTC)**  
 Illustrative Calculation Pursuant to the Rate Agreement  
 Los Angeles International Airport  
 Fiscal Year

		[a]	[b]	[b]-[a] and [b/a-1]
		Immediately preceding Fiscal Year	Fiscal Year in which ECPC is required	Increase (decrease)
Other Nonairline Revenues (ONR) (a)	[A]	\$ 250,450,000	\$ 120,000,000	\$ (130,450,000)
Enplaned Passengers	[B]	43,000,000	43,000,000	-
ONR/EP Ratio	[C=A/B]	5.82	2.79	(3.03)
Percent increase (decrease)				-52.1%
The ONR/EP Ratio required to produce a decline of 50% from prior year Percent increase (decrease) equal to 50%	[D = C (prior FY) / 2]		2.91	
ONR/EP Ratio Adjustment to achieve 50% decrease Enplaned Passengers in Fiscal Year ECPC is required	[E=D-C] [H]		0.12 43,000,000	
NRTC (b)	=[G x H]		\$ 5,225,000	

(a) See Section 10.3(a) of the Rate Agreement.  
 (b) See Section 10.3(b) of the Rate Agreement.

Exhibit L

**CALCULATION OF BAD DEBT SURCHARGE (OR CREDIT)**  
 Illustrative Calculation Pursuant to the Rate Agreement  
 Los Angeles International Airport  
 Calendar year

	<u>Hypothetical Year</u>
<b>1. BAD DEBT SURCHARGE</b>	
Bad Debt arising during preceding Fiscal Year	\$ 1,000,000
Less: Bad Debt Recovery during current Fiscal Year	(300,000)
Bad Debt Surcharge	<u>\$ 700,000</u>

Airline (a)	Total Terminals revenues (b)	Relative share of Terminals revenues	Bad Debt Surcharge
Airline 1	\$ 30,000,000	45.5%	\$ 318,500
Airline 2	20,000,000	30.3%	212,100
Airline 3	10,000,000	15.2%	106,400
Airline 4	5,000,000	7.6%	53,200
Airline 5	1,000,000	1.4%	9,800
	<u>\$ 68,000,000</u>	<u>100.0%</u>	<u>\$ 700,000</u>

<b>2. BAD DEBT CREDIT</b>	
Bad Debt arising during preceding Fiscal Year	\$ 1,000,000
Less: Bad Debt Recovery during current Fiscal Year	(1,300,000)
Bad Debt Credit	<u>\$ (300,000)</u>

Airline (a)	Total Terminals revenues (b)	Relative share of Terminals revenues	Bad Debt Credit
Airline 1	\$ 30,000,000	45.5%	\$ (136,500)
Airline 2	20,000,000	30.3%	(90,900)
Airline 3	10,000,000	15.2%	(45,800)
Airline 4	5,000,000	7.6%	(22,800)
Airline 5	1,000,000	1.4%	(4,200)
	<u>\$ 68,000,000</u>	<u>100.0%</u>	<u>\$ (300,000)</u>

**Note:** The results shown above are not projections.  
 (a) Only for Signatory Airlines and Signatory Consortiums.  
 (b) Excludes ECPCs.



Los Angeles  
World Airports

BOARD FILE  
NO. NBL-4348B

amended Resolution 26923

RESOLUTION NO. 26994

BE IT RESOLVED that, on recommendation of Management, the Board of Airport Commissioners approved extension of the deadline to July 31, 2020, for airlines and Los Angeles World Airports-approved airline consortiums using passenger terminals at Los Angeles International Airport to execute and deliver the Amended and Restated 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

BE IT FURTHER RESOLVED that the Board authorized the Interim Chief Executive Officer, or his designee, to execute the Letter Agreement, attached hereto and made part hereof, that allows for the extension of the deadline for the airlines and LAWA-approved airline consortiums to execute and deliver the signed Rate Agreement on or before July 31, 2020; and

Board of Airport  
Commissioners  
Seari O. Burton  
President

BE IT FURTHER RESOLVED that the Board approved amendment to Resolution 26923; and

Valeria C. Velasco  
Vice President

BE IT FURTHER RESOLVED that this item, as a continuing administrative, maintenance and personnel-related activity, is administratively exempt from California Environmental Quality Act (CEQA) requirements pursuant to Article II, Section 2.f of the Los Angeles City CEQA Guidelines; and

Gabriel L. Eshaghtan  
Beatrice C. Hsu  
Thomas P. Roxborough  
Cynthia A. Telles  
Marim Webb

BE IT FURTHER RESOLVED that 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.

Justin Erbacchi  
Interim Chief Executive Officer

o0o

I hereby certify that this Resolution No. 26994 is true and correct, as adopted by the Board of Airport Commissioners at its Special Meeting held on Thursday, April 9, 2020.

Grace Miguel - Secretary  
BOARD OF AIRPORT COMMISSIONERS





Los Angeles World Airports

3

# REPORT TO THE BOARD OF AIRPORT COMMISSIONERS

*Nerida Esguerra-Olivares*

Approved by: Nerida Esguerra-Olivares,  
Director of Finance

*Tatiana Starostina*

Reviewed by: Tatiana Starostina, Deputy Executive Director,  
Chief Financial Officer

*William G. Ballew*  
City Attorney

Justin Erbacci, Interim Chief Executive Officer

Meeting Date:

4/9/2020

CAO Review:

Completed

Pending

N/A

Reviewed for	Date	Approval Status	By
Finance	4/6/2020	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> NA	RW
CEQA	4/6/2020	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N	PI
Procurement	4/6/2020	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> Cond	LK
Guest Experience	4/6/2020	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N	BY
Strategic Planning	4/6/2020	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> NA	KV

## **SUBJECT: Extension of the Deadline to Execute and Deliver the Amended and Restated Rate Agreement**

Approval to amend and extend the deadline for airlines and LAWA-approved airline consortiums using Passenger Terminals at the Los Angeles International Airport (LAX) to execute and deliver the Amended and Restated Rate Agreement

### **RECOMMENDATIONS:**

Management RECOMMENDS that the Board of Airport Commissioners:

1. ADOPT the Staff Report.
2. DETERMINE that this action is administratively exempt from the California Environmental Quality Act (CEQA) pursuant to Article II, Section 2.f of the Los Angeles City CEQA Guidelines.
3. AMEND and extend the deadline to July 31, 2020 for airlines and LAWA-approved airline consortiums using Passenger Terminals at Los Angeles International Airport (LAX) to execute and deliver the Amended and Restated Rate Agreement.

4. AUTHORIZE the Interim Chief Executive Officer, or his designee, to execute the attached Letter Agreement that allows for the extension of the deadline for the airlines and LAWA-approved airline consortiums to execute and deliver the signed Rate Agreement on or before July 31, 2020.
5. AMEND Resolution 26923.

## **DISCUSSION:**

### **1. Purpose**

Due to travel restrictions because of COVID-19 health directives, staff recommends extending the required execution and delivery date of the Amended and Restated Rate Agreement (Rate Agreement) to July 31, 2020, from April 30, 2020.

### **2. Prior Related Actions**

- **September 17, 2012 – Resolution 24912**  
The Board approved a new methodology for establishing rates and charges for use of passenger terminal facilities at LAX, pursuant to the Tariff, as amended.
- **September 17, 2012 – Resolution 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 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 19, 2019 – Resolution 26923**  
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 with a term expiring December 31, 2032.

### **3. Current Action**

Due to travel restrictions because of COVID-19 health directives, staff seeks the Board's approval to modify the execution and delivery date in Section 1.1 of the Rate Agreement from April 30, 2020 to July 31, 2020.

Staff requests that the Board of Airport Commissioners (Board) amend and extend the execution date for passenger airlines and LAWA-approved consortiums using Passenger Terminals at LAX and delivery of the Rate Agreement to July 31, 2020.

No other provisions of the Rate Agreement are to be modified through this action.

***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.* Extending the execution date of the Rate Agreement with the new provisions will allow LAX airlines to execute the new Rate Agreement, which is currently difficult because of certain travel restrictions due to COVID-19 health directives. Signatory participation will improve LAX's ability to collect the required levels of revenue necessary to maintain access to capital markets and finance future airport improvements.

***Action Requested***

Staff request that the Board to: 1) amend and extend the deadline to July 31, 2020 from April 30, 2020, for airlines and LAWA-approved airline consortiums using Passenger Terminals at Los Angeles International Airport (LAX) to execute the Rate Agreement; 2) authorize the Interim Chief Executive Officer or his designee to execute the attached Letter Agreement; and 3) amend Resolution 26923.

***Fiscal Impact***

This action ensures that the Rate Agreement will be implemented this CY 2020. Through adoption of this recommendation, the existing Passenger Terminal rates and charges methodology at LAX will continue through 2032, with certain enhancements that will provide a sustainable and predictable revenue source capable of supporting the significant level of capital investment planned in the Passenger Terminals in the future. While the elimination of the FPG under the new Rate Agreement may result in a potential lag in the recovery of revenue due to LAWA should a carrier default on its obligations, the ability to include such uncollected revenue for recovery in the Passenger Terminal rate base expands LAWA's ability to collect receivables in excess of the performance guarantee amounts.

**4. Alternatives Considered**

• ***Take No Action***

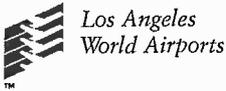
This is not a recommended option. Not approving this action will result in not having the opportunity for more airlines to sign the Amended and Restated Rate Agreement. That is supposed to extend and modify the current Rate Agreement which expires in December 2022.

**APPROPRIATIONS:**

No appropriation of funds is required for this action.

**STANDARD PROVISIONS:**

1. This item, as a continuing administrative, maintenance and personnel-related activity, is administratively exempt from California Environmental Quality Act (CEQA) requirements pursuant to Article II, Section 2.f of the Los Angeles City CEQA Guidelines.
2. The City Attorney has approved this item.
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 Living Wage/Service Contractor Worker Retention Ordinances.
5. This action is not subject to the provisions of the Business Enterprise (BE) 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 number.
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 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.



Board File  
No. NBL-43483

April 23, 2020

Sent via email to kl Larson@tbiteclax.com

Kelley Larson  
TBITEC  
380 World Way Box S-18  
Los Angeles, CA 90045

Re: Restated and Amended Rate Agreement

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  
Justin Erbacci  
Interim Chief Executive Officer

Dear TBITEC:

The Amended and Restated Rate Agreement (“Rate Agreement”), as previously offered by the City of Los Angeles (“City”), establishes for a variety of purposes April 30, 2020 as the deadline for execution and delivery of the Rate Agreement to the City. Airline and the City both recognize and acknowledge that as a result of the unforeseen COVID-19 pandemic, it will be difficult or impossible for air carriers and existing airline consortiums to execute and deliver the Rate Agreement to the City by April 30, 2020.

Accordingly, in order to accomplish the intended purpose of Section 1 of the Rate Agreement, and to provide a reasonable opportunity for all eligible air carriers and airline consortiums to timely execute and deliver the Rate Agreement to the City, TBITEC and the City agree that any Rate Agreement that is delivered to the City on or before July 31, 2020 shall for purposes of the Rate Agreement be treated by the City as if such Rate Agreement had been delivered to the City on or before April 30, 2020.

This letter agreement is not intended to alter any other provisions of the Rate Agreement.

Please signify Airline’s agreement to the terms of this letter amendment by countersigning a copy in the space provided below and returning the signed copy to Los Angeles World Airport’s Commercial Development Group.

[signature page follows]

Sincerely,

APPROVED AS TO FORM:

CITY OF LOS ANGELES

Michael N. Feuer,  
City Attorney

By:   
\_\_\_\_\_  
Chief Executive Officer  
Department of Airports

By: Tamami Yamaguchi  
\_\_\_\_\_  
Deputy/Assistant City Attorney

The undersigned Airline hereby agrees to the foregoing letter amendment:

Date: July 31, 2020

TBITEC

ATTEST:

By:   
Name: RICKEY SCHENCK  
Title: TBITEC DUTY MANGER

By:   
Name: KELLY LARSON  
Title: TBITEC GENERAL MANAGER

By:   
Name: Marita Konz  
Title: TBITEC Accounting Manager

# NBL-4348B - TBITEC

Final Audit Report

2020-08-07

Created:	2020-08-04
By:	Janice Sanders (jsanders@lawa.org)
Status:	Signed
Transaction ID:	CBJCHBCAABAAL_BgHBdg5NufUoLguDHLjREyQ39S-W5h

## "NBL-4348B - TBITEC" History

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