



Los Angeles World Airports

REPORT TO THE

BOARD OF AIRPORT COMMISSIONERS

Item Number
here

Approved by: Nerida Esguerra, Finance & Budget Division Manager

Reviewed by: Ryan Yakubik, Chief Financial Officer

City Attorney

Deborah Flint – Chief Executive Officer

Meeting Date:

6/15/2017

CAO Review:

- Completed
- Pending
- N/A

| Reviewed for | Date | Approval Status | By |
|------------------|-----------|--|----|
| Finance | 5/31/2017 | <input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> NA | RW |
| CEQA | 5/30/2017 | <input checked="" type="checkbox"/> Y <input type="checkbox"/> N | AE |
| Procurement | 5/26/2017 | <input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> Cand | BU |
| Guest Experience | 5/31/2017 | <input checked="" type="checkbox"/> Y <input type="checkbox"/> N | BY |

SUBJECT: Landing Fees and Other Charges for FY2018 at Los Angeles International Airport

Approve the FY2017-18 Landing Fees and Other Charges for Los Angeles International Airport which will generate approximately \$288 million in landing fee revenue over the fiscal year period and Rescind Resolution No. 26008.

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. APPROVE the schedule of FY2017-18 rates and charges at Los Angeles International Airport, effective July 1, 2017 through June 30, 2018, as detailed in the staff report.
4. RESCIND Resolution No. 26008.
5. ADOPT the attached resolution.

DISCUSSION:

1. Purpose

Establish various rates, including landing fees and aircraft parking fees to charge air carriers for use of facilities at Los Angeles International Airport (LAX), effective FY2017-18 covering the period July 1, 2017 through June 30, 2018. These rates are effective until rescinded and new rates are adopted by the Board.

2. Prior Related Actions

- June 16, 2016 – Board Resolution No. 26008
The Board of Airport Commissioners (Board) approved the FY2016-17 Landing Fee Rates of (i) \$4.50 per 1,000 lbs. of maximum gross landed weight (MGLW) for permitted air carrier-passenger aircraft, and (ii) \$3.54 per 1,000 lbs. of MGLW for permitted air carrier-cargo aircraft and various other fees at LAX effective July 01, 2016 through June 30, 2017.

3. Current Action

Landing fees are assessed to passenger and cargo air carriers using landing facilities at LAX. The management of Los Angeles World Airports (LAWA) sets the landing fees in accordance with the non-exclusive Air Carrier Operating Permit (ACOP) between the City of Los Angeles (City) and various air carriers at LAX. The fees are calculated based upon preliminary budget and forecasted landing weights for the fiscal year.

Also, in accordance with the ACOP, landing fee rates may be adjusted up to two times each fiscal year, after consultation with the air carriers. The Department may, upon review and notification to the carriers, adjust the rates for the remainder of the fiscal year should variances between actual and budgeted costs and activities warrant adjustment. Subsequently, LAWA completes a year-end reconciliation to determine reconciled landing fee rates for permitted air carriers based on actual recoverable expenses identified in the audited financial statements and reported landing weights by air carriers.

The new landing fee rates are \$4.60 per 1,000 lbs. of MGLW for permitted air carrier-passenger aircraft and \$3.62 per 1,000 lbs. of MGLW for permitted air carrier-cargo aircraft. The FY2017-18 landing fees have been calculated in accordance with the rates and charges landing fee methodology established in FY1993-94 and validated in subsequent administrative hearings before the United States Department of Transportation.

Staff also proposes to revise the aircraft parking charges as follows:

| Public/Non-exclusive Aircraft Parking Charges | | FY2017-18 | FY2016-17 |
|--|------------------------|------------------|------------------|
| <u>Maximum Gross Landed Weight</u> | <u>Hours Parked</u> | | |
| Aircraft below 500,000 lbs. | ≤ 3 hrs | No charge | No charge |
| | 3 hrs > x ≤ 6 hrs | \$ 80.00 | \$ 100.00 |
| | 6 hrs > x ≤ 12 hrs | \$ 100.00 | \$ 120.00 |
| | Daily Rate* (> 12 hrs) | \$ 140.00 | \$ 180.00 |
| | | | |

| | | | |
|---|------------------------|-----------|-----------|
| Aircraft 500,000 lbs. or above | ≤ 3 hrs | No charge | No charge |
| | 3 hrs > x ≤ 6 hrs | \$ 100.00 | \$ 120.00 |
| | 6 hrs > x ≤ 12 hrs | \$ 100.00 | \$ 130.00 |
| | Daily Rate* (> 12 hrs) | \$ 150.00 | \$ 190.00 |
| * The Daily Rate will also apply for each full or partial day that the aircraft is parked after the first 24 hours. | | | |

The revised aircraft parking charges are applied to all aircraft (both passenger airlines and cargo carriers/remote commuters) using public/non-exclusive aircraft hardstand parking positions (parking positions that do not have passenger support facilities, i.e., jet bridges to load and unload passengers). The proposed aircraft parking charges for FY2018 are approximately 20% lower than the prior year's level due to higher plane parking activity which is used to allocate the costs of maintaining and operating the public aircraft parking facilities. The aircraft parking charges are not subject to year-end reconciliation.

LAWA management consulted with the leadership of the LAX Airline Airport Affairs Committee (AAAC) on May 24, 2017. Airline representatives were also provided documentation concerning the budget, landing fees, parking rates calculation, and other relevant supporting information.

FY2018 Landing Fees and Other Charges

The proposed landing fee rate for FY2017-18 for permitted air carrier passenger aircraft at \$4.60 is \$0.10 higher than last year's rate of \$4.50.

The proposed landing fee rate for permitted air carrier-cargo aircraft at \$3.62 is \$0.08 higher than last year's rate of \$3.54.

Total recovery projected at \$288 million in FY2018 is higher than last year's budgeted operating revenue of \$268 million due to higher operating expenses and capital costs. Increased operating expenses are due to higher budgeted salaries and benefits and contractual services expenses, including increased costs of City Services and legal fees associated with Runway 25L and ARFF vehicles litigations.

Amortization costs increased from FY2017 levels, due to completion of Runway 6R-24L Runway Safety Area (RSA) Improvement and ARFF Vehicles. Also included in the FY2018 charges are capital costs for Qantas Hangar Demolition (Taxiway T enabling project), Runway 7L-25R Runway RSA, West RON Parking Positions Electrification, Construction Access Posts (Gates 21, 23, 236), Perimeter Intrusion Detection System (PIDS) Pilot Program, Taxi Holding Lot Relocation (RSA enabling project) – Phase 2, Airfield Buses, and Foam Tender Firefighting Vehicle which are projected to be completed during FY 2018.

Van Nuys (VNY) Reliever Net Costs increased by \$1.9 million to \$3.6 million primarily due to increased operating expenses at VNY airport. Increased expenses are caused by 1) \$0.8 million higher City Services bill for Crash 90 and Foam Apparatus stationed at the airport; 2) \$0.4 million for purchase of four replacement vehicles; 3) \$0.3 million for the clean-up and removal of stockpile of dirt/debris; and 4) \$0.3 million increase in budget for environmental consultants. These costs may be offset by adding additional revenue generated by Fuel Fee increases enacted during the fiscal year.

The proposed FY2018 landing fee rates and other charges for use of LAX facilities are as follows:

| LAX Landing Fees - Budget Rates | | FY2017-18 | FY2016-17 |
|--|------------------------|------------------|------------------|
| Aircraft over 25,000 lbs. | | | |
| Permitted-Passenger (per 1,000 lbs) | | \$4.60 | \$4.50 |
| Permitted-Cargo (per 1,000 lbs) | | \$3.62 | \$3.54 |
| Permitted Commuters Not Using Terminal Aprons (per 1,000 lbs) | | \$3.62 | \$3.54 |
| | | | |
| Non-Permitted Passenger (per 1,000 lbs) | | \$5.75 | \$5.63 |
| Non-Permitted Cargo (per 1,000 lbs) | | \$4.53 | \$4.43 |
| Non-Permitted Commuters Not Using Terminal Aprons (per 1,000 lbs) | | \$4.53 | \$4.43 |
| | | | |
| Aircraft 25,000 lbs. or less | | | |
| <u>Permitted Airlines</u> | | | |
| Aircraft 12,500 lbs. or less (per landing) | | \$60.00 | \$59.00 |
| Aircraft over 12,500 up to 25,000 pounds (per landing) | | \$115.00 | \$113.00 |
| | | | |
| <u>Non-Permitted Airlines</u> | | | |
| Aircraft 12,500 lbs. or less (per landing) | | \$75.00 | \$74.00 |
| Aircraft over 12,500 up to 25,000 lbs. (per landing) | | \$144.00 | \$141.00 |
| | | | |
| Ramp Charges | | | |
| each 15-minute period or fraction thereof after airline has been given notice that airport operations require that the aircraft leave the area | | \$100.00 | \$100.00 |
| each 10-minute period or fraction when aircraft is double-parked or in a position other than a regular gate position and the airline has been given notice to leave the area | | \$100.00 | \$100.00 |
| each 15-minute period or fraction thereof in excess of 30 minutes for the cleanup of fuel spills | | \$100.00 | \$100.00 |
| | | | |
| Public/Non-exclusive Aircraft Parking Charges | | | |
| <u>Maximum Gross Landed Weight</u> | <u>Hours Parked</u> | | |
| Aircraft below 500,000 lbs. | ≤ 3 hrs | No charge | No charge |
| | 3 hrs > x ≤ 6 hrs | \$ 80.00 | \$ 100.00 |
| | 6 hrs > x ≤ 12 hrs | \$ 100.00 | \$ 120.00 |
| | Daily Rate* (> 12 hrs) | \$ 140.00 | \$ 180.00 |
| Aircraft 500,000 lbs. or above | ≤ 3 hrs | No charge | No charge |
| | 3 hrs > x ≤ 6 hrs | \$ 100.00 | \$ 120.00 |
| | 6 hrs > x ≤ 12 hrs | \$ 100.00 | \$ 130.00 |
| | Daily Rate* (> 12 hrs) | \$ 150.00 | \$ 190.00 |
| | | | |
| * The Daily Rate will also apply for each full or partial day that the aircraft is parked after the first 24 hours. | | | |

Use by Government Aircraft

Pursuant to Federal Grant Assurance #27 (use by government aircraft), LAWA allows federal government agencies to land/takeoff and park their aircraft free of charge.

LAX Landing Fee Methodology

LAX uses the compensatory methodology to calculate its landing fees. Under the compensatory methodology, LAX recovers costs associated with providing airfield and apron-related services and facilities to air carriers. Non-airfield and non-apron related costs cannot be charged to the air carriers and must be recovered through other operating revenues. A compensatory landing fee structure gives an airport more control over its operations since non-aviation revenues are not intermingled with airfield and apron activities. This gives air carriers no legal basis for dictating how non-aviation revenues are spent or invested.

Under the LAX landing fee methodology the airport is divided into seven cost centers. These cost centers were established to account for costs incurred by LAWA to provide, maintain, operate, and administer LAX. There are five direct cost centers, each of which is related to a defined geographical area of the airport that serves a particular function and two indirect cost centers which are related to service type functions that support the direct cost centers. The direct and indirect cost centers are as follows:

Direct Cost Centers

- Airfield Cost Center
- Apron Cost Center
- Terminal Cost Center
- Aviation Cost Center
- Commercial Cost Center

Examples of costs directly charged to the Airfield Cost Center include:

- Airside Construction Inspection
- LAX Airfield Permits

Examples of costs directly charged to the Apron Cost Center include:

- Airfield Bus Maintenance
- Bus Operations

Examples of costs directly charged to the Terminal Cost Center include:

- Terminal Duty Operations
- CTA Customer Service Representatives

Examples of costs directly charged to the Aviation Cost Center include:

- Leasing and Development
- Aviation-related Project Planning and Development Costs

Examples of costs directly charged to the Commercial Cost Center include:

- Ground Transportation Services
- Landside Parking Services

Indirect Cost Centers

- General Administration
- Access

Examples of costs charged to the General Administration Cost Center include:

- Legal Services Division
- Human Resources

Examples of costs charged to the Access Cost Center include:

- Maintenance Services (on automobile vehicle roadways)
- Flyaway Bus Operations Contracts

Action Requested

Staff requests the Board approve FY2017-18 rates and charges at Los Angeles International Airport effective July 1, 2017 as detailed in the staff report. These rates should be effective until rescinded by the Board or when new rates are adopted.

Staff also requests the Board rescind BOAC Resolution No. 26008 and adopt the attached resolution.

Fiscal Impact

LAX's landing fee methodology recovers from air carriers those costs incurred in maintaining and operating airfield and apron-related services and facilities. The methodology to calculate the Landing Fee is directly tied to operating expenses allocated through an established group of direct and indirect cost centers. Landing fees are a key operating revenue component and on average contribute approximately 20% of the total operating revenues at LAX.

Approval of this item will result in a projected \$288 million in Landing Fee revenues for Los Angeles World Airports in FY2017-18.

4. Alternatives Considered

- ***None***

Pursuant to Los Angeles City Charter, Section 632(a), the BOAC has the power and duty to fix and collect rates and charges for the use of airport assets and any other services provided by LAWA.

Also, since 1993, LAWA's calculation of the LAX landing fee has used a compensatory methodology. This methodology was validated in two rates and charges proceedings before the United States Department of Transportation, commonly referred to as "LAX1" and "LAX2". Prior to this change, calculation of the LAX landing fee was made pursuant to a residual methodology under a Use and Lease Agreement that had been in effect for over 25 years and expired on June 30, 1993.

APPROPRIATIONS:

No appropriations are requested for this item.

STANDARD PROVISIONS:

1. Establishment or modification of any rate, fee or charge is exempt from the requirements of the California Environmental Quality Act (CEQA) pursuant to Article III, Class 1(31) of the Los Angeles City CEQA Guidelines.
2. This item is subject to approval as to form by the City Attorney.
3. Actions taken on this item by the Board of Airport Commissioners will become final pursuant to the provisions of Los Angeles City Charter Section 245.
4. This action is not subject to the Living Wage / Service Contractor Worker Retention Ordinances.
5. This action is not subject to the Small Business Enterprise and Local Business Enterprise/Small Local Business Enterprise Programs.
6. This action is not subject to the provisions of the Affirmative Action Program.
7. This action is not subject to Business Tax Registration Certificate
8. This action is not subject to the Child Support Obligations Ordinance.
9. This action is not subject to the insurance requirements of the City of Los Angeles.
10. This action is not subject to Charter Section 1022.
11. This action is not subject to the Contractor Responsibility Program Questionnaire and Pledge of Compliance.
12. This action is not subject to the Equal Benefits Ordinance (EBO).
13. This action is not subject to the First Source Hiring Program for all non-trade Los Angeles International Airport jobs.
14. This action is not subject to the provisions of the Bidder Contributions City Ethics Commission Form 55.

Attachment:

- (A) Calculation of Landing Fees
- (B) Landing Fee Rates and Other Charges Rates Resolution

**Los Angeles International Airport
Airfield & Apron Rate Calculation
Budget FY 2018**

Attachment "A"

| Airfield Rate | Budget | Budget | Fav(Unfav) | Increase |
|--------------------------------------|-----------------------|-----------------------|------------------------|-------------------|
| | 2018 | 2017 | Variance | (Decrease) |
| | | | \$ | % |
| | | | | LF Rate |
| Operating Expense | \$ 162,278,191 | \$ 151,153,911 | \$ (11,124,280) | -7.36% |
| Amortization Expense | 16,134,689 | 13,832,130 | (2,302,559) | -16.65% |
| Debt Service Expense | 57,011,764 | 56,013,974 | (997,790) | -1.78% |
| Debt Service Coverage | - | - | - | - |
| Build America Bonds Subsidy | (7,423,975) | (7,621,094) | (197,119) | 2.59% |
| Net Debt Service Expense (with BABs) | 49,587,789 | 48,392,880 | (1,194,909) | -2.47% |
| Reserves | 2,222,638 | 2,055,496 | (167,142) | -8.13% |
| Van Nuys Reliever Net Costs | 3,608,357 | 1,708,914 | (1,899,443) | -111.15% |
| Total Costs | \$ 233,831,665 | \$ 217,143,330 | \$ (16,688,334) | -7.69% |
| Landing Units in 1,000s | 64,599,500 | 61,389,188 | 3,210,312 | 5.23% |
| Rate Per 1,000 # unit | \$ 3.62 | \$ 3.54 | \$ (0.08) | -2.26% |

Apron Rate

| | | | | |
|------------------------------|----------------------|----------------------|-----------------------|---------------|
| Operating Expense | \$ 42,554,581 | \$ 36,670,640 | \$ (5,883,941) | -16.05% |
| Amortization Expense | 3,222,634 | 4,064,036 | 841,401 | 20.70% |
| Debt Service Expense | 8,311,981 | 9,454,437 | 1,142,456 | 12.08% |
| Debt Service Coverage | - | - | 0 | - |
| Reserves | 582,847 | 498,673 | (84,175) | -16.88% |
| Total Costs | \$ 54,672,044 | \$ 50,687,785 | \$ (3,984,258) | -7.86% |
| Landing Units in 1,000s | 55,517,428 | 52,989,818 | 2,527,610 | 4.77% |
| Rate Per 1,000 # unit | \$ 0.98 | \$ 0.96 | \$ (0.02) | -2.08% |

| | | | | |
|----------------------|----------------|----------------|------------------|---------------|
| Combined Rate | \$ 4.60 | \$ 4.50 | \$ (0.10) | -2.22% |
|----------------------|----------------|----------------|------------------|---------------|

Passenger Airlines

| | | |
|--|--------------------------|--------------|
| Budget rate | \$ 4.60 | |
| | - | |
| | \$ 4.60 | a |
| x Estimated passenger landed weight | 55,517,428 | b |
| Landing fees - Passenger Carriers | [A] 255,380,171 | (a*b) |
| Cargo Carriers and Remote Commuters | | |
| Budget rate | \$ 3.62 | |
| | - | |
| | \$ 3.62 | c |
| x Estimated Cargo and Remote Commuters landed weight | 9,082,072 | d |
| Landing fees - Cargo & Remote Commuters | [B] 32,877,099 | (c*d) |
| Amount Due From Carriers | [A+B] 288,257,270 | |

ATTACHMENT "B"

RESOLUTION NO. - APPROVAL OF RESOLUTION COVERING LANDING FEES, RAMP, APRON AND PUBLIC/NON-EXCLUSIVE AIRCRAFT PARKING CHARGES AT LOS ANGELES INTERNATIONAL AIRPORT FOR FY2018, AND RESCISSION OF RESOLUTION NO. 26008.

RECOMMENDATION: Approval of Resolution covering landing fees, ramp, apron and public/non-exclusive aircraft parking charges at Los Angeles International Airport for FY2018 and rescission of Resolution No. 26008. The FY2018 rates are effective until rescinded and new rates are adopted by the Board.

WHEREAS, the Board of Airport Commissioners, in accordance with Section 632(a) of the City Charter of Los Angeles, is authorized to fix and collect rates and charges for the use of lands, property and facilities controlled by the City of Los Angeles in accommodation of air commerce.

WHEREAS, it is recommended that Resolution No. 26008 be rescinded and that effective July 1, 2017 the definitions, rates, charges, fees and reporting requirements set forth herein shall apply to all aircraft using the facilities at Los Angeles International Airport and owned and operated by the City of Los Angeles, except as otherwise expressly provided herein:

Section 1. Definitions

- (a) "Air Carrier" – Any person, or persons, including corporations, that undertakes, whether directly or indirectly or by lease or any other arrangement, to engage in air commerce, that is certified by the Federal Aviation Administration (FAA), and that holds a current FAA certificate to transport air passengers or property for hire.
- (b) "Aircraft" - Any heavier-than-air fixed or rotary wing vehicle used or designed for flight.
- (c) "Board" - The Board of Airport Commissioners of the City of Los Angeles.
- (d) "City" - The City of Los Angeles.
- (e) "Chief Executive Officer" - The Chief Executive Officer of the Los Angeles World Airports.
- (f) "LAWA" – Los Angeles World Airports, also known as the Department of Airports of the City of Los Angeles.
- (g) "LAX" – Los Angeles International Airport.
- (h) "Ferry Landings" – Landings of Aircraft without revenue passengers and/or cargo on board, operated by an Air Carrier other than a non-scheduled or on-demand air taxi operator, at an airport owned or operated by City for the purpose of positioning Aircraft to enplane passengers, and/or cargo for originating a flight.

- (i) "Maximum Gross Landing Weight" or "MGLW" - The FAA Certificated Maximum Gross Landing Weight or actual gross landing weight of Aircraft if no such specification exists. In computing fees prescribed in this Resolution, except for Aircraft weighing less than 25,000 lbs., 500 pounds or any larger part of 1,000 lbs. shall be counted as if a whole 1,000 lbs. and any smaller part shall be disregarded.
- (j) "Non-Permitted Air Carrier Passenger" - An Air Carrier that transports either passengers or both passengers and cargo for compensation and that has not signed an LAX Air Carrier Operating Permit.
- (k) "Non-Permitted Air Carrier Cargo" - An Air Carrier that transports cargo but not passengers for compensation and that has not signed an LAX Air Carrier Operating Permit.
- (l) "Permitted Air Carrier Passenger" - An Air Carrier that transports either passengers, or both cargo and passengers for compensation and that has executed an LAX Air Carrier Operating Permit under authority granted by the Board.
- (m) "Permitted Air Carrier Cargo" - An Air Carrier that transports cargo but not passengers for compensation and that has executed an LAX Air Carrier Operating Permit under authority granted by the Board.
- (n) "Public/Non-exclusive Aircraft Parking Areas" - Those areas which are designated by the Chief Executive Officer or her designee and available in common with other Air Carriers for the public/non-exclusive parking of Aircraft; subject, however, to changes therein at the discretion of the Chief Executive Officer or his or her designee at any time.
- (o) "Revenue Landings" – Each landing of an Aircraft at LAX, except the following:
 - (i) landings of an Aircraft owned and operated by agencies of the U.S. Government¹;
 - (ii) landing of an Aircraft that departs from LAX and returns, without having landed at another airport, for meteorological, mechanical, safety or any other emergency purpose;
 - (iii) landing of an Aircraft during training flights;
 - (iv) landing of an Aircraft during maintenance test flights;
 - (v) Ferry Landings

¹ Pursuant to Federal Grant Assurance #27 (Use by Government Aircraft), LAWA allows federal government agencies to land/takeoff and park their aircraft free of charge.

Section 2. Landing Fee Rate

Permitted Air Carriers and Non-Permitted Air Carriers shall pay a landing fee for each Revenue Landing of an Aircraft operated by such Air Carrier. The landing fee shall be an amount equal to the product of (i) the number of 1,000 lbs. of Maximum Gross Landing Weight (MGLW) of an Air Carrier's Revenue Landing multiplied by (ii) the landing fee rate.

(a) Landing Fee Rate for Permitted Air Carriers

- (i) \$60.00 for each landing of Aircraft having a MGLW of 12,500 lbs. or less.
- (ii) \$115.00 for each landing of Aircraft having a MGLW of more than 12,500 lbs. up to and including 25,000 lbs.
- (iii) \$3.62 per 1,000 lbs. of MGLW for each landing by a Permitted Air Carrier Cargo having a MGLW of more than 25,000 lbs. This rate also applies to permitted commuter air carriers which do not use the terminal aprons.
- (iv) \$4.60 per 1,000 lbs. of MGLW for each landing by a Permitted Air Carrier Passenger having a MGLW of more than 25,000 lbs.

(b) Landing Fee Rate for Non-Permitted Air Carriers

- (i) \$75.00 for each landing of Aircraft having a MGLW of 12,500 lbs. or less.
- (ii) \$144.00 for each landing of Aircraft having a MGLW of more than 12,500 lbs. up to and including 25,000 lbs.
- (iii) \$4.53 per 1,000 lbs. of MGLW for each landing by a Non-Permitted Air Carrier Cargo having a MGLW of more than 25,000 lbs. This rate also applies to non-permitted commuter air carriers which do not use the terminal aprons.
- (iv) \$5.75 per 1,000 lbs. of MGLW for each landing of Non-Permitted Air Carrier Passenger having a MGLW of more than 25,000 lbs.

Section 3. Ramp, Apron and Remote Area Fees

Air Carriers using the ramp, apron and remote areas shall be charged the following Ramp, Apron and Remote Area Fees:

- (a) \$100.00 for each 15-minute period or fraction thereof after the Air Carrier has been given notice by the Chief Executive Officer that Airport Operations requires that the aircraft leave the area. The period to be used for calculating this charge shall begin 15 minutes after such notice has been given.

- (b) \$100.00 for each 10-minute period or fraction thereof when an Aircraft is double-parked or in a position other than at a regular gate position and the Air Carrier has been given notice by the Chief Executive Officer that Airport Operations requires that the aircraft leave the area. The period to be used for calculating this charge shall begin five minutes after such notice has been given.
- (c) \$100.00 for each 15-minute period or fraction thereof in excess of 30 minutes for the clean-up of fuel spills.

Section 4. Public/Non-exclusive Aircraft Parking Fees

Air Carriers using the Public/Non-exclusive Hardstand Aircraft Parking Areas shall be charged the following Aircraft Parking Fees:

- (a) Air Carriers shall be subject to the Aircraft Parking Fee for the parking of Aircraft in Public/Non-exclusive Aircraft Parking Areas.

| Maximum Gross Landed Weight | Hours Parked | Rates |
|--------------------------------|------------------------|-----------|
| Aircraft below 500,000 lbs. | ≤ 3 hrs | No charge |
| | 3 hrs > x ≤ 6 hrs | \$ 80.00 |
| | 6 hrs > x ≤ 12 hrs | \$ 100.00 |
| | Daily Rate* (> 12 hrs) | \$ 140.00 |
| Aircraft 500,000 lbs. or above | ≤ 3 hrs | No charge |
| | 3 hrs > x ≤ 6 hrs | \$ 100.00 |
| | 6 hrs > x ≤ 12 hrs | \$ 100.00 |
| | Daily Rate* (> 12 hrs) | \$ 150.00 |

* The Daily Rate will apply for each full or partial day that the aircraft is parked after the first 24 hours.

- (b) Air Carriers shall submit a monthly report listing the MGLW, Aircraft Parking Area locations, dates and times their Aircraft were parked at LAX. Payment of Aircraft Parking Fees shall accompany each report.

Section 5. Summary of Air Carrier Rate Setting Methodology Cost Centers

Cost centers mean those functions or physically discrete areas which are used to accumulate costs incurred by the Department to provide, maintain, operate, and administer LAX. There are two types of cost centers used in the cost of services methodology: (1) direct cost centers which are each related to a defined geographical area of LAX that serves a particular function and (2) indirect cost centers which are related to service type functions that support the direct cost centers. The following is a description of each direct and indirect cost center.

Direct Cost Centers

Airfield Cost Center - Airfield Cost Center is comprised of the land and facilities which support air navigation and flight activities, including Aircraft access to, and egress from, apron areas. Land and facilities include runways, taxiways, approach and clear zones, navigation and related easements, infield areas, safety areas, remote areas for public/non-exclusive aircraft hardstand parking positions (that do not have passenger support facilities, i.e., jet bridges to load and unload passengers) and landing and navigational aids.

Apron Cost Center - Apron Cost Center is comprised of the land and paved areas primarily adjacent to passenger terminal buildings, but does not include aprons associated with general aviation, cargo, or Aircraft maintenance facilities.

Terminal Cost Center - Terminal Cost Center is comprised of 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 (CTA), passenger terminal buildings located outside the CTA, associated concourses, hold rooms, passenger tunnels, and all other facilities which are integral parts of the passenger terminal buildings.

Aviation Cost Center - Aviation Cost Center is comprised of the land and facilities related to air cargo, general aviation, FBO operations, Aircraft fueling, exclusive parking positions, Aircraft maintenance, Air Carrier services, and other aviation-related activities.

Commercial Cost Center - Commercial Cost Center is comprised of the land and facilities not located in passenger terminal buildings which are provided for non-aeronautical commercial and industrial activities, including for example, public automobile parking, car rental service centers, golf courses, the Theme Building, and the Proud Bird Restaurant.

Indirect Cost Centers

General Administration - General Administration includes the general administrative and support costs related to providing, maintaining, operating and administering the LAX which cannot be directly allocated to cost centers.

Access - Access includes the costs of providing, maintaining, operating, and administering facilities and services for on-LAX and off-LAX ground access for vehicles and pedestrians, including airside and landside access, and LAX access generally. It also includes the costs of increasing, preserving, or managing the throughput capacity of LAX's access facilities, that is, the volume of, and rate at which, users can be accommodated.

Cost Elements

The following is a description of the cost elements allocated to the direct and indirect cost centers.

Operating Expenses - Operating expenses include salary, employee benefit, material and supply, and contractual service expenses. The operating expenses used to calculate rates which are placed into effect at the beginning of a fiscal year reconciled back to the official operating budget document of the Department, subject to certain adjustments for items such as cost reimbursements, capitalized labor expense, and other items.

Capital Items Costing Less than \$100,000 - All expenditures for individual capital items whose local cost (i.e., cost net of PFCs, grants, and other contributed capital) is less than \$100,000 are expensed for the calculation of landing fees, notwithstanding what treatment might be required for accounting or other purposes.

Debt Service - Debt service means the amounts related to principal and interest on debt obligations as required in debt contracts of the Department.

Amortization on Locally-Funded Assets Costing \$100,000 or More - All individual assets whose local costs (i.e., asset cost net of PFC's, grants, and other contributed capital) are \$100,000 or more are subject to amortization.

Amortization means the amount necessary to recover the original capital investment (plus interest) over the life of the asset in the form of equal monthly payments. Amortization is calculated over the useful life of each asset at an interest rate equal to the yield on 30-year Treasury securities as of December 31st.

Debt Service Coverage - Debt service coverage means the margin of safety for payment of debt service, reflecting the amount by which "earnings" must exceed "debt service" pursuant to the provisions of the debt contracts.

Required Deposits to Bond Accounts - Required deposits to bond accounts means the amount of annual deposits, if any, to funds and to accounts required under debt contracts which are obligations of the Department, e.g., operating reserve fund, reserve maintenance fund, debt service reserve fund.

Van Nuys Reliever Net Costs - Van Nuys is the largest general aviation airport in the United States. The use of Van Nuys by general aviation increases the ability of scheduled Air Carriers to use LAX facilities. The net costs of the Van Nuys reliever airport mean the amount, if any, by which the costs of Van Nuys exceed its operating revenue and allocable non-operating revenue. The Van Nuys costs are comprised of the same cost elements used to determine LAX costs.

Cost Allocation

Operating Costs - The Department's cost accounting system tracks salary and material/supply costs to cost centers. Both labor time and material/supply costs are charged to these cost centers by individual employees. Direct salary and benefits expenses for each Division are tracked to the five direct and two indirect cost centers. Material and supply expense and equipment expense are charged to the division's organization cost centers and to location cost centers where material and supplies are used or services are rendered. Insurance premiums and City Special Services – Crash, Fire, and Rescue are singled out for special allocations.

Capital Costs - Projects and fixed assets records are analyzed to determine the projects (or assets) which have been financed by the Department from all sources of funds. The ratio of the cost of bond-funded assets by cost center formed the basis for allocating (1) debt service, (2) debt service coverage, and (3) required deposits to bond accounts for each outstanding debt obligation of the Department. Locally-funded projects are traced to individual cost centers to which the appropriate amortization expenses are assigned.

Cost Allocation Detail

The following is a detailed listing of the allocation basis for each cost element:

| Cost Element | Allocation Basis |
|---|---|
| <u>Salaries and Benefits Expense</u> For each Division | Direct charge to cost center where possible |
| <u>Material and Supply Expense</u> For each Division | Direct charge to cost center where possible |
| <u>Contract Services Expense</u> For each Division | Direct charge to cost center where possible |
| <u>Equipment and Vehicle Expense</u> For each Division | Direct charge to cost center where possible |
| <u>Insurance Expense</u> Fire & Extended Boiler & Machinery Property Liability & Property Damage | Distribution % from Risk Management - based on insured values of property - based on insured values of property - based on historical claims |
| <u>Required and Discretionary Reserves</u> Debt Service Reserve Debt Service Coverage Deposit to Reserve for M&O | Ratio of each series' bond Principal & Interest by cost center Ratio of each series' bond Principal & Interest by cost center Ratio of O&M expenses by Direct cost center |
| <u>City Services-CFR</u> Crash 80 Other Flightline resources Non-Flightline resources | 100% Airfield 100% Airfield Ratio of insurance premiums |
| <u>Security Costs</u> Airport Police, LAPD | - mainly based on deployment study agreed upon with airlines (Matrix study) |
| <u>Indirect Cost Centers</u> General Administration Access | Ratio of O&M expense by cost center Ratio of land area by cost center ² |

² Land areas were adjusted to equalize areas attributable to the Terminal and Airfield cost centers so that the allocation of Access costs would affect the Terminal and Airfield cost centers equally.

Landing Fee Calculation

Costs accumulated in the Airfield Cost Center are apportioned among all users of airfield based upon aircraft landed weight. Costs accumulated in the Apron Cost Center are apportioned by weight among all passenger airlines using the facilities in said cost center.

A mid-year review should be made by the Department of cost and operational information with the Board adjusting landing fees for the remainder of the year if the variances warrant such an adjustment. A landing fee calculation should be performed based upon actual expenses as soon as feasible following the close of the fiscal year. Reconciliation between actual expenses and budgeted landing fees will result in a variance that can be settled by invoice or credit to the users. Plane parking charges are not subject to reconciliation.

Documentation concerning the landing fee calculation and other information relevant to the landing fee for FY2018 were provided to airline representatives prior to this action; and

WHEREAS, this action is exempt from the California Environmental Quality Act pursuant to Article III, Class 1 (31) of the Los Angeles City CEQA Guidelines; and

WHEREAS, actions taken on this item by the Board of Airport Commissioners will become final pursuant to the provisions of Los Angeles City Charter Section 245;

NOW, THEREFORE, BE IT RESOLVED that the Board of Airport Commissioners determined that this action is exempt from the California Environmental Quality Act requirements; adopted the staff report; approved the schedule of Fiscal Year 2017-2018 rates and charges at Los Angeles International Airport effective July 1, 2017 through June 30, 2018; and approved rescission of Resolution No. 26008.