



Greater Orlando Aviation Authority

Orlando International Airport
One Jeff Fuqua Boulevard
Orlando, Florida 32827-4399

Memorandum

TO: Participating Airlines
FROM: Phil Brown, Executive Director
DATE: August 16, 2016
SUBJECT: Rate Methodology for FY 2017 – FY 2019

A. BACKGROUND

On October 16, 2013, the Authority adopted a resolution (the Rate Resolution) that (1) establishes the terms and conditions for airlines operating at the Airport, (2) establishes the methodology for setting certain airline rates and charges for use of the Airport, and (3) authorizes the Authority's Executive Director to enter into Letters of Authorization with airlines for the use and occupancy of terminal space at the Airport. The Rate Resolution was amended on August 10, 2016. Prior to the start of each Fiscal Year, the Authority establishes rates to be in effect for the subsequent Fiscal Year.

The documents underlying the airline ratemaking regime include:

1. Rate Resolution
2. Rate Methodology (this document)
3. Operating Permit
4. Letter of Authorization (LOA)
5. Rate and Revenue Sharing Agreement
6. Authority Policies and Procedures

Each commercial service airline operating at the Airport is required to execute either a Letter of Authorization, committing to certain exclusive or preferential space and obtaining the benefit of rates that are calculated on a square footage basis (i.e., fixed monthly charge for assigned space) or an Operating Permit. LOAs are also available to airlines wishing to rent space other than holdrooms, ticket counters, bag make-up, and apron areas. Space not subject to an LOA may be used by airlines on a common use basis under the authority of an Operating Permit, but is charged on a per-turn fee or other activity basis.

The Rate Resolution, Rate Methodology, Operating Permits, and LOAs set forth the (1) the applicable rates and charges for airline use of airfield and terminal facilities at the Airport, (2) the space, if any, assigned to each airline on an exclusive or preferential use basis for its use, (3) the timing and manner of required payments of rates and charges, and (4) other applicable operating conditions and requirements at the Airport. The current Rate and Revenue Sharing Agreement expires September 30, 2016 (FY 2016).

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The purpose of this Rate Methodology is to describe the Authority's Rate Methodology for calculating rates and charges under the Rate Resolution and proposed new Rate and Revenue Sharing Agreement for FY 2017 – FY 2019.

B. ORGANIZATION AND CONTENTS

The derivation of annual rates is described in the formulas, methods, and calculations in Section D below (that is described in the Rate Resolution as the "Rate Methodology"). Actual rates for FY 2017 and beyond will be provided separately, each year after the budget for such year has been finalized and approved. To the extent there is any discrepancy between the Rate Methodology and any illustrative tables provided with annual rate calculations, the Rate Methodology shall govern.

Airlines that sign LOA's are assigned designated space within the Terminal for their use on an exclusive or preferential use basis. Airlines that are assigned Committed Premises will be charged the applicable "Terminal Premises Rate" for their use of such space. All other space will be assigned for use on a per-turn or common use basis.

C. CHANGES FROM EXISTING RATE METHODOLOGY

The only proposed changes in the Rate Methodology from the Methodology in effect for FY 2013 – FY 21016 are to:

1. eliminate the low volume carrier discount for baggage fees,
2. adjust the divisor for baggage fees from enplaning or deplaning passengers to "Number of Bags," at the beginning of the Fiscal Year following the year in which the Authority has the ability with a reasonable degree of reliability to count total bags by airline processed through both the Inbound Baggage System and Outbound Baggage System, provided such change shall not be effective prior to October 1, 2017,
3. adjust the Facility Fee calculation for the average amount of counter and queue space associated with each gate, at the beginning of the fiscal Year following the year in which the Authority completes the ticket counter renovation project, and
4. divide the definition of Operating Expenditures into O&M Expenses and Operating Reserves, which does not create any rate differences.

D. PROJECTIONS OF AIRLINE RATES AND CHARGES

General Rates and Charges Approach

GOAA's compensatory rate methodology is designed to recover from the air carriers using the Airport their fairly allocated share of Airport costs in accordance with the U.S. Department of Transportation's Policy Regarding Airport Rates and Charges, 78 Fed. Reg. 55330 (September 10, 2013), and other applicable law.

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The calculation of landing fees will be based on a cost center residual method that credits to the airfield cost center non-airline revenues derived from airfield use. The calculation of the Terminal Premises Rate will be based upon a commercial compensatory method that allocates to the airlines the cost of the space they use plus their proportionate share of the costs of non-rentable terminal space.

Use and Allocation of Terminal Space Under the Rate Resolution

GOAA will allow the airlines that sign LOAs to pay for the designated exclusive and preferential use areas based on the amount of space assigned and the Terminal Rental Rate. All terminal space that is not assigned for exclusive or preferential use under an LOA will be available on a common use basis as assigned by GOAA, and will be charged to the airlines on a turn fee or other activity basis.

Derivation of Landing Fees

The Landing Fee Rate will be calculated on a cost center residual basis to recover all airfield costs at OIA, net of airfield revenues other than landing fees. The Landing Fee Rate will be computed as follows:

- A. + O&M Expenses allocable to Airfield Cost Center
- B. + Operating Reserves
- C. + Debt Service allocable to Airfield Cost Center
- D. + Amortization allocatable to Airfield Cost Center
- E. = TOTAL AIRFIELD REQUIREMENT
- F. - Revenues other than landing fees assigned to Airfield Cost Center
- G. = NET AIRFIELD REQUIREMENT
- H. / Maximum Gross Landed Weight by all Airlines (passenger and cargo)
- I. = LANDING FEE RATE (per 1,000 pound unit)

Derivation of Apron Fees

The Terminal Apron Fee will be computed as follows:

- A. + O&M Expenses allocable to Terminal Apron Cost Center
- B. + Operating Reserves
- C. + Debt Service allocable to Terminal Apron Cost Center
- D. + Amortization allocatable to Terminal Apron Cost Center
- E. = TERMINAL APRON REQUIREMENT
- F. - Terminal Apron Requirement Allocable to Remote RON Parking (based on relative square feet)
- G. = Terminal Apron Requirement Allocable to Gates
- H. / Total Operating Gates
- I. = TERMINAL APRON FEE PER GATE

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Derivation of Charges for Use of the Terminal

Terminal Rental Rate. The Terminal Rental Rate per square foot will be established using a commercial compensatory ratemaking methodology. The Terminal Rental Rate will be computed as follows:

- A. + O&M Expenses allocable to Terminal Cost Center
- B. + Operating Reserves
- C. + Debt Service allocable to Terminal Cost Center
- D. + Amortization allocable to Terminal Cost Center
- E. = TOTAL TERMINAL REQUIREMENT
- F. - Miscellaneous Direct Reimbursements
- G. - Airline Equipment Requirement
- H. - Baggage System O&M Expenses
- I. - FIS Requirement
- J. = NET TERMINAL REQUIREMENT
- K. / Rentable Space (square feet)
- L. = TERMINAL RENTAL RATE (per square foot)

Terminal Rental Rate Per Gate. All gates throughout the Airport will be charged the same rate regardless of the number of square feet allocated to such gate/holdroom. The Terminal Rental Rate Per Gate will be computed as follows:

- A. TERMINAL RENTAL RATE
- B. x Total amount of gate/holdroom square feet in the Terminal
- C. / Number of Operational Gates
- D. = Annual Terminal Rental Rate Per Gate

FIS Requirement. GOAA intends to impose a charge for airline use of space in the Federal Inspection Services (FIS) facilities equal to \$3.65 per deplaning international passenger, which charge may be adjusted from time to time in the discretion of GOAA. The purpose of calculating the FIS Requirement is to allocate to the FIS facilities their proportionate share of the costs in the Terminal Cost Center that are common to FIS and non-FIS space plus all the costs that are specific to the FIS facilities so that these costs are not included in the net Terminal Requirement and are borne only by the airlines using the FIS facilities and by GOAA. The FIS Requirement will be computed as follows:

- A. + O&M Expenses allocable to Terminal Cost Center
- B. + Operating Reserves
- C. + Debt Service allocable to Terminal Cost Center
- D. + Amortization allocable to Terminal Cost Center
- E. = TOTAL TERMINAL REQUIREMENT
- F. - Miscellaneous Direct Reimbursements
- G. - FIS-Specific O&M Expenses
- H. - FIS-Specific Operating Reserves
- I. - FIS-Specific Amortization

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- J. - FIS-Specific Debt Service
- K. - Airline Equipment Requirement
- L. - Baggage System O&M Expenses
- M. - Baggage System Operating Reserves
- N. = NET TERMINAL COST EXCLUDING FIS-SPECIFIC COSTS
- O. / Total Terminal Space (square feet)
- P. = Average Terminal Cost per Square Foot Net of FIS
- Q. x FIS Space, including sterile corridors, FIS processing areas, and associated Customs & Border Protection (CBP) offices
- R. = BASE COST OF FIS SPACE
- S. + FIS-specific O&M Expenses
- T. + FIS-specific Operating Reserves
- U. + FIS-specific Debt Service
- V. + FIS-specific Amortization
- W. = FIS REQUIREMENT

Airline Equipment Charges. This charge will be computed as follows:

- A. + O&M Expenses allocable to Airline Equipment
- B. + Operating Reserves allocable to Airline Equipment
- C. + Debt Service allocable to Airline Equipment
- D. + Amortization allocable to Airline Equipment
- E. = TOTAL AIRLINE EQUIPMENT REQUIREMENT
- F. / Total Operational Gates With Airline Equipment
- G. = AIRLINE EQUIPMENT CHARGE PER GATE

Inbound Baggage System Fee. GOAA acknowledges that the inbound baggage system may, from time to time, have excess capacity. To account for the excess capacity, GOAA will, as appropriate, reduce the amount of baggage claim and bag drop-off space for which it seeks to recover costs by a factor. This factor will correspond to the difference between the capacity of the terminal complex as determined by the Authority based upon consideration of the limits of terminal capacity components, which is currently estimated to be 45 Million Annual Passengers (MAP) in FY 2017, and the projected volume of passengers in FY 2017 (41 MAP). This factor may be adjusted annually on a prospective basis by the Authority with consideration of the same factors. This Fee will be computed as follows:

- A. Inbound Baggage Related Space (total square feet adjusted as described above)
 - 1. Baggage Claim
 - 2. Baggage Drop-Off
 - 3. 50% of Tug Drive
- B. x Terminal Rental Rate
- C. = INBOUND BAGGAGE SYSTEM RENTAL REQUIREMENT

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- D. + 6% of Baggage System O&M Expenses and Operating Reserves (excluding those specifically allocable to the FIS)
- E. = INBOUND BAGGAGE SYSTEM REQUIREMENT
- F. / Number of deplaning passengers using the Terminal*
- G. = INBOUND BAGGAGE SYSTEM FEE PER DEPLANING PASSENGER**

Outbound Baggage System Fee. The Outbound Baggage System Fee will be computed as follows:

- A. Outbound Baggage Related Space
 - 1. Baggage System
 - 2. 50% of Tug Drive
- B. x Terminal Rental Rate
- C. = OUTBOUND BAGGAGE SYSTEM RENTAL REQUIREMENT
- D. + 94% of Baggage System O&M Expenses and Operating Reserves (excluding those specifically allocable to the FIS)
- E. = OUTBOUND BAGGAGE SYSTEM REQUIREMENT
- F. / Number of enplaning passengers using the Terminal*
- G. = OUTBOUND BAGGAGE SYSTEM FEE PER ENPLANING PASSENGER **

Terminal Facility Fees. Airlines that use space in the Terminal that has not been assigned to them for use on an exclusive or preferential use basis will be charged a per turn fee or per hour fee depending on the type of facilities and equipment used. Per turn fees are based on four turns per gate per day.

1. ***Calculation of Terminal Facility Fee – Airside and Landside***

- A. Total Square Feet for the Following Areas per Gate:***
 - 1. Average holdroom space (currently 2,638 square feet)
 - 2. Average ticket counter space (currently 202 square feet)

* The divisor shall be adjusted to “Number of Bags” at the beginning of the Fiscal Year following the year in which the Authority has the ability with a reasonable degree of reliability to count total bags by airline processed through both Inbound Baggage System and Outbound Baggage System, but no earlier than October 1, 2017.

** Simultaneously with the change in divisor to “Number of Bags” the fee resulting from the calculations shall be “Per Bag.”

* The divisor shall be adjusted to “Number of Bags” at the beginning of the Fiscal Year following the year in which the Authority has the ability with a reasonable degree of reliability to count total bags by airline processed through both Inbound Baggage System and Outbound Baggage System, but no earlier than October 1, 2017.

** Simultaneously with the change in divisor to “Number of Bags” the fee resulting from the calculations shall be “Per Bag.”

*** Subject to change based on changes in Airport configuration and space availability. Upon completion of the ticket lobby project, the total average ticket counter and queue space shall be adjusted.

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- 3. Average ticket counter queue space (462 square feet)
- 4. Average bag makeup space (currently 1,375 square feet)
- 5. Average curbside check space (currently 190 square feet)
- B. x Terminal Rental Rate (per square foot)
- C. + Apron Fee Rate Per Gate
- D. + Airline Equipment Fee Per Gate
- E. = ANNUAL TERMINAL FACILITY FEE REQUIREMENT PER GATE – AIRSIDE AND LANDSIDE
- F. / Total Annual Turns (1,460)
 - 1. 365 days per year multiplied by
 - 2. Four (4) turns per gate per day
- G. = AIRSIDE AND LANDSIDE FEE PER USE

2. **Calculation of Terminal Facility Fee – Airside Only**

- A. Product of the annual Terminal Rental Rate times 2,638 square feet (the average holdroom size per gate in the Terminal)
- B. + Apron Fee Rate Per Gate
- C. + Airline Equipment Charge Per Gate
- D. = ANNUAL TERMINAL FACILITY FEE REQUIREMENT – AIRSIDE ONLY
- E. / Total Annual Turns (1,460)
 - 1. 365 days per year multiplied by
 - 2. Four (4) turns per gate per day
- F. = AIRSIDE ONLY FACILITY FEE PER USE
- G. x 50% = ARRIVAL-ONLY AIRSIDE-ONLY FEE PER USE
- H. x 50% = EXTENDED GATE OCCUPANCY FEE per hour

3. **Calculation of Terminal Facility Fee – Landside Only**

- A. Total Square Feet for the Following Areas per Gate *:
 - 1. Average ticket counter space (currently 202 square feet)
 - 2. Average ticket counter queue space (currently 462 square feet)
 - 3. Average bag makeup space (currently 1,375 square feet)
 - 4. Average curbside check space (currently 190 square feet)
- B. x Terminal Rental Rate (per square foot)
- C. = ANNUAL TERMINAL FACILITY FEE REQUIREMENT – LANDSIDE ONLY
- D. / Total Annual Turns (1,460)
 - 1. 365 days per year multiplied by

* Subject to change based on changes in Airport configuration and space availability. Upon completion of the ticket lobby project, the total average ticket counter and queue space shall be adjusted.

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- 2. Four (4) turns per gate per day
- E. = LANDSIDE ONLY FEE PER USE

4. **Calculation of Terminal Facility Fee – RON Gate**

- A. Apron Fee Rate Per Gate
- B. + Airline Equipment Charge Per Gate
- C. = ANNUAL TERMINAL FACILITY FEE REQUIREMENT – RON GATE
- D. / Total Annual Turns (1,460)
 - 1. 365 days per year multiplied by
 - 2. Four (4) turns per gate per day
- E. = RON GATE FEE PER USE per 12-hour increment

5. **Calculation of Terminal Facility Fee – RON Remote**

- A. Terminal Apron Requirement Allocable to Remote RON Parking (based on Terminal Apron Requirement allocated to square feet needed for RON parking positions)
- B. / Number of Remote RON Positions
- C. = Remote RON Rate per Position per Year
- D. / 365 days per year
- E. = Remote RON Rate per Position per Use (Overnight)

6. **Calculation of Terminal Facility Fee – Additional Ticketing Position**

- A. Product of the annual Terminal Rental Rate times average ticket counter space per gate divided by four (4) (currently 202 square feet)*
- B. + Product of the annual Terminal Rental Rate times average ticket counter queue space per gate divided by four (4) (currently 462 square feet)*
- C. = ANNUAL TERMINAL FACILITY FEE REQUIREMENT – ADDITIONAL TICKETING POSITION
- D. / Total Annual Turns (1,460)
 - 1. 365 days per year multiplied by
 - 2. Four (4) turns per gate per day
- E. = ADDITIONAL TICKETING POSITION FEE PER USE per half hour

FIS Fees. For use of the Federal Inspection Services (“FIS”) facilities, airlines will pay \$3.00 per deplaning passenger using such facilities.

* Subject to change based on changes in Airport configuration and space availability. Upon completion of the ticket lobby project, the total average ticket counter and queue space shall be adjusted.

