



**COMPETITION PLAN UPDATE  
SACRAMENTO INTERNATIONAL AIRPORT**

**APRIL 30, 2002**

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## INTRODUCTION

The Wendell H. Ford Aviation Investment and Reform Act For the 21<sup>st</sup> Century (AIR 21), enacted on April 5, 2000, requires that a competition plan be filed annually with the Federal Aviation Administration (FAA) by certain airport operators before they can receive grants under the Airport Improvement Program (AIP) or be authorized to impose a new passenger facility charge.

The requirement for a competition plan applies to any large or medium hub airport at which one or two airlines control more than 50% of enplaned passengers. At Sacramento International Airport (the Airport), the two largest airlines for the twelve-month period ended June 30, 2001 accounted for 66% of enplaned passengers (Southwest Airlines 51% and United Airlines 15%). Thus, the Airport is subject to the requirements of AIR 21.

Pursuant to the provisions of Air 21, the County of Sacramento submitted its original competition plan to the FAA in October 2000. The FAA approved the County's competition plan on February 20, 2001. As required by Air 21, section 155, to maintain continued eligibility to receive AIP grant funding and impose a new PFC, an airport sponsor must update its competition plan annually.

Information to be addressed in the annual competition plan update, as specified in AIR 21 is as follows:

1. Availability of gates and related facilities
2. Leasing and subleasing arrangements
3. Gate use arrangements
4. Pattern of air service
5. Gate assignment policy
6. Financial constraints
7. Airport Controls over airside and landside capacity
8. Airport intention to provide common-use gates

In compliance with section 155, this report updates the County's approved competition plan and addresses the issues the FAA identified in its review of the County's original plan (referred to herein as the 2000 Competition Plan). Attachment A provides a summary of FAA comments and the sections of this report in which the responses are provided.

## 1. AVAILABILITY OF GATES AND RELATED FACILITIES

### a. Inventory of available gates

The table below summarizes the inventory of gates available at the Airport as of March 2002.

Table 1 INVENTORY OF AIRPORT GATES Sacramento International Airport			
	<u>Terminal A</u>	<u>Terminal B</u>	<u>Total</u>
Exclusive	0	0	0
Preferential	13	9	22
Common	<u>0</u>	<u>4</u>	<u>4</u>
Total	13	13	26

Source: County of Sacramento.

No gates are leased exclusively, and the preferential use gates are available for reassignment to other airlines at the County's option. The County-controlled common use gates are available for use by any airline. As shown in Table 1, the County controls four gates that are not assigned to any airline exclusively or preferentially, and are available for use by new or expanding airlines.

In the period since the preparation of the 2000 Competition Plan, the availability of preferential and common use gates has proven sufficient to accommodate all airline requests for gate access.

In response to FAA's question, the County currently intends to keep all of the current common use gates in that status, thereby maintaining their availability for new, competitive air service. In addition, the County is proceeding with the establishment of common use ticket counter positions and baggage make-up.

### b. Number and identity of any air carriers that have begun providing or stopped service

Effective January 1, 2001, SkyWest Airlines, operating as Delta Connection, initiated two nonstop daily flights in the Sacramento-Salt Lake City market. Delta Connection's operations are handled by its partner carrier Delta Air Lines. In February 2002, Frontier Airlines began operating twice-daily nonstop service between Sacramento and Denver. Frontier's operation is accommodated on a per-use basis at one of the County-controlled common-use gates in Terminal B. Also in February 2002, Alaska Airlines partner Horizon Air began twice-daily nonstop service between Sacramento and Boise. Horizon's operations are handled by its partner carrier Alaska Airlines.

No air carriers have stopped service at SMF.

**c. Number of new gates that have been built or are now available**

No new gates have been built or are now available since the preparation of the 2000 Competition Plan report.

**d. Number of gates that have been converted to common use status**

No gates have been converted to common use status since the preparation of the 2000 Competition Plan report.

**e. Gate utilization**

The table below summarizes average daily gate utilization (departures per gate) for 2001.

<p>Table 2 GATE UTILIZATION Sacramento International Airport 2001</p>			
	<u>Average daily Departures</u>	<u>Gates</u>	<u>Daily departures per gate</u>
Terminal A			
Southwest Airlines	61.1	8	7.6
America West Airlines	12.2	2	6.1
Delta Air Lines	5.0	2	2.5
Continental Airlines	<u>1.9</u>	<u>1</u>	<u>1.9</u>
Subtotal	75.2	13	6.3
Terminal B			
United Airlines	17.1	4	4.3
Alaska Airlines/Horizon	10.5	2	5.3
American Airlines (a)	6.6	2	3.3
Northwest Airlines	2.9	1	2.9
County	<u>-</u>	<u>4</u>	<u>n.a.</u>
Subtotal	36.9	13	2.9
Commuters	<u>20.7</u>	<u>0 (b)</u>	<u>n.a.</u>
Total	138.0	26.0	5.3
<p>n.a. = not applicable  (a) Includes the activity of TWA  (b) Commuter flights are accommodated at the gates of major airline partners.</p>			
<p>Source: Average Daily Departures—Official Airline Guides, Inc.  Gates—County of Sacramento, Department of Airports</p>			

The overall average utilization—5.3 daily departures per gate—is slightly higher, but similar to the utilization in recent prior years, as reported in the 2000 Competition Plan report. The relatively low utilization of Terminal B gates indicates the County’s capacity to accommodate new airline service, particularly at the County-controlled common use gates. As an example, if there were 5.0 daily departures per gate in Terminal B (compared to the actual 2.9 shown on Table 2), the Terminal B gates would accommodate 65 daily departures (compared to the actual 37 shown on Table 2).

#### **f. Gate utilization monitoring**

As part of the ongoing Master Plan for the Airport, the County has developed increased information on gate utilization, including average daily utilization and peak period utilization. The County intends to use this information as a “foundation” for continuous increased monitoring of gate utilization in the future. In accordance with the intent of providing better information for the accommodation of new airline service, the additional gate utilization data will be prepared and distributed for two main purposes:

1. Identification of available gate capacity for new entrant airlines and new service of existing airlines, including identification of capacity by time of day to coordinate with potential new scheduled service, and
2. Identification of any under-utilized preferential gates that would be candidates for reassignment to airlines needing gate capacity for new service.

#### **g. Gate recapture**

All gates are assigned to airlines on a preferential use basis, with the exception of the common use gates, which are available for any airline. The Airline Agreement and the Airline Ordinance give authority to the Director to reassign, reallocate or relocate air carriers as necessary to meet the best interest of the traveling public. See Section 5(b) below for additional information on County authority over preferential gates.

#### **h. Accommodation of new entrants and incumbent carriers seeking to expand at the airport and resolution of any access disputes**

The Airline Agreement, effective November 1, 2000, as well as the Airline Rate Ordinance, give the County authority and flexibility to accommodate new entrants and incumbent carriers’ service expansions.

As mentioned earlier, the availability of 4 County-controlled gates provide access on a common-use basis, without interference with any pre-existing preferential-use leases. In the event that this is not sufficient, the County can access preferential-use gates and terminal building space (see Section 5(b) below for additional information).

Since the preparation of the 2000 Competition Plan, the County has been successful in accommodating new entrant air service, as follows:

1. Frontier Airlines—Frontier began service in February 2002. Prior to beginning service, Frontier contacted County officials to determine facilities options, and was presented with a variety of alternatives for combining terminal and gate space for the proposed operation. Based on these alternatives, Frontier decided to use one of the County-controlled common-use gates on a per-use arrangement.
2. Continental Airlines—Continental began service in 2000. To accommodate Continental, the County added a loading bridge to Terminal B, to replace a loading bridge that had been moved to Terminal A. (CO is in Terminal A – what is the point of this statement?)
3. Horizon Airlines—Horizon Airlines has been successfully accommodated in conjunction with the facilities leased by their partner airline Alaska Airlines.

In accommodating these new entrant airlines, the County has not been made aware of any problems related to lack of available space to provide for new operations.

In addition, the County has historically been successful in accommodating the needs of existing airlines seeking to expand service and needing additional space. For Southwest Airlines and America West, the County has developed new ticket counter space and baggage claim space in areas of the terminal building that were not previously used for these functions. This is an indication of the ability to accommodate new service “outside the bounds” of the existing space inventory.

#### **i. Information on gate availability**

Historically, the County has provided information to airlines on gate availability and access on an “ad hoc” basis, and this has proven sufficient to meet the needs of new and existing airlines seeking to add service at the Airport. Based on the comments provided by FAA and a review of “best practices” at other airports, the County has decided to formalize this information by preparing an Airline Information Package. This Airline Information Package would contain information on available gates, terms of access, and procedures for securing facilities for new service. The Airline Information Package would be provided on the Airport’s web page, and would also be available upon request. The County expects that the Airline Information Package will be completed and available during 2002.

## **2. LEASING AND SUBLEASING ARRANGEMENTS**

The County and the airlines finalized negotiation of a new three-year Scheduled Airline Operating Agreement and Terminal Building Lease (the Agreement). The Agreement, effective November 1, 2000, governs the operations, assignment of space and the calculation of airline rates and fees. Airlines that do not execute agreements will operate pursuant to the Airline Rate Ordinance (Ordinance). The

Ordinance parallels the terms of the Agreement, except that the prepaid revenue credit applies only to the calculation of the landing fee rate for those airlines that have executed Agreements. A copy of the Agreement is provided as Attachment C.

**a. Changes in lease terms**

The new Agreement does not contain any material changes in lease terms from the practices previously in place, with the exception of the prepaid revenue credit mentioned above.

**b. Status of contractual arrangements at the Airport**

All of the scheduled airlines operating at the Airport have executed the Agreement. Thus, all scheduled airlines currently serving the Airport are eligible for the prepaid revenue credit.

**c. Assuring access at the Airport**

The Agreement and the Ordinance allow for flexibility in accommodating airline needs and new entrants. Both the Agreement and the Ordinance include the following provisions:

- Director of Airport's (Director) authority to assign, reassign, allocate or reallocate all or a portion of Airline's premises.
- Preferential Aircraft Parking Positions — such space shall be assigned to airlines by the Director for nonexclusive use, to which an airline has priority over all other users of an apron area.
- Assignment of airline space on a Preferential Use basis — "Preferential Use " shall mean nonexclusive use, to which an airline has priority over all other users. Pursuant to this provision, the County assigns apron, loading bridge and holdroom space as preferential use.
- Director authority of authorize other airlines to use Airline's Preferential Aircraft Parking Position, loading bridges, and Preferential Use Space when such facilities are determined by the Director to not be required for Airline's scheduled flight activities.
- Subordination of Agreement to agreements between the County and the Federal Government relative to the development, operation or maintenance of the Airport System.
- Compliance with assurances required by the FAA.



#### **d. Monitoring sublease fees**

Section 3.05 of the Agreement, Cross Utilization of Facilities, limits the amount of sublease fee airlines may charge under certain conditions. Under routine circumstances, airlines are allowed to independently negotiate terms for subleases of space to other airlines. In situations that require County intervention to authorize accommodation of a new airline or expanded service, the County shall not preclude the airline from recovering the proportional cost (including proportional overhead costs), plus an administrative fee of no greater than fifteen percent (15%) for such space from such authorized airline.

The County believes that the authorized administrative fee effectively limits the premium that can be assessed for sublease access to gates at the Airport. In addition, the County will monitor any and all sublease agreements to ensure that there is fair and reasonable access. Finally, the County has common use gates available in the event that an airline is unable to reach a satisfactory sublease arrangement.

#### **e. Response to FAA concerns identified in its February 20, 2001, letter**

1. Terms under which an airline can become a signatory carrier at SMF.  
Response: — Carriers may become a signatory carrier by executing an Agreement with the County. The consideration provided by signatory airlines includes (a) providing regularly scheduled service, (b) paying rents and fees, and (c) remitting applicable PFC proceeds. The payment of rents and fees and remittance of PFC proceeds are requirements of any airline serving the Airport, so the only true condition for a signatory airline is to provide regularly scheduled service. As mentioned above, all scheduled airlines currently serving the Airport have found this agreement acceptable.
2. Circumstances under which any airline requesting signatory status has been rejected.  
Response — No carrier requesting signatory status has ever been rejected.
3. The difference in terms that apply to signatory and nonsignatory airlines.  
Response — The terms of the Ordinance parallel the terms of the Agreement except that airlines that operate under the Ordinance (1) are assigned facilities on a month-to-month basis and (2) do not receive benefit of the prepaid revenue credit in the calculation of their landing fee rate. As noted above, all airlines serving the Airport have executed Agreements.
4. Availability of ground handling services to new entrants and what recourse is available to air carriers dissatisfied with ground handling services available to him.  
Response — under the Agreement, an airline may provide ground handling services with its own staff, or contract with another airline or with a vendor to provide such services on the exclusive or preferential use space assigned to

the airline. An airline dissatisfied with ground handling services can request assistance from the Director, who has broad authority under the Agreement to ensure fair and reasonable accommodation of new entrants. The availability of common use gates (which allow an airline to self-handle or enter into an acceptable third-party arrangement) provides a competitive constraint on the conditions imposed by existing airlines that wish to sublease space and provide ground handling services.

5. What discretion is available to a new entrant subleasing a gate to accept or decline bundled ground handling services from a signatory carrier.

Response— There is no specific language in the Agreement that addresses the rights of a new entrant that subleases space from a signatory carrier to accept or reject bundled ground services. However, there are sufficient common use gates available to new entrants that a new entrant is not required to sublease from an existing airline lessor and the County is proceeding with implementation of a common use ticket counter and baggage make-up strategy. As noted in the response to 4, above, new entrants have several options for obtaining ground handling services.

6. MII provisions that apply at SMF and if they have resulted in any delayed or cancelled projects.

Response—The Agreement does not require a majority approval for implementation of capital projects. The Agreement does provide that, if 67% of the airlines disapprove of a proposed capital improvement, such capital improvement may be deferred, but for no more than one year. In recent years, no significant capital improvements have been delayed or cancelled as a result of airline approval requirements.

#### **f. Progress towards new business arrangements**

The County believes that the new Agreements effective November 2000 provide for fair and reasonable access by new entrants, as described above. As mentioned in the 2000 Competition Plan report, the County plans to pursue new business arrangements in the future that will provide even more flexibility to accommodate new entrant airlines. As also mentioned in the 2000 Competition Plan report, the timing of potential new business arrangements is expected to correspond with the completion of the Master Plan Update, which is not yet complete. Upon completion of the Master Plan Update, the County will provide an update regarding proposed new business arrangements in connection with plans to invest in capacity for longer-term demand growth.

### **3. GATE USE ARRANGEMENTS**

Gate use arrangements were summarized above in Table 1. As shown, the majority of the gates are leased on a preferential use basis, with County discretion to reassign the gates to new carriers. There are also 5 common use gates available for new entrants.

#### **4. PATTERNS OF AIR SERVICE**

In the 2000 Competition Plan report, data were presented to show that the Airport has competitive air service at relatively low fares, due primarily to the presence of Southwest Airlines and other low-fare carriers. As of the most recent 12 months, Southwest Airlines is still the largest carrier at the Airport, providing competitively-priced service to a range of destinations. A review of the most recent data published by DOT indicates that the Airport continues to experience low fares relative to a peer group of airports of similar size.

Attachment B provides reference data on airline traffic, market share, and airfares. Key points are summarized below.

##### **a. Airline market shares**

Southwest Airlines continues to account for about one-half of the passenger traffic at the Airport. Given the relatively low fares offered by Southwest, this has ensured that the Airport continues to have competitive air service to a range of destinations. The share of the top 2 airlines (Southwest and United), has declined from 66% in 1999 to 65% in 2001.

##### **b. Average daily nonstop service**

From 1999 to 2001, the average number of daily nonstop departures increased from 129 to 138, and the number of nonstop markets served increased from 19 to 23. This indicates that the County has been successful in continuing to accommodate expanded service for the traveling public.

##### **c. Average daily nonstop departures by airline and city**

As of 2001, a total of 13 airlines provided service to the 23 nonstop markets. This is an indication of the diversity of service and competition among airlines.

##### **d. Changes in air service**

From September 2000 to September 2001, there was a net increase of 27,150 monthly nonstop seats, a combination of service to new markets and expanded service to existing markets.

##### **e. Historical trends in airfares and yields**

From 1990 to 2000, the average airfare at the Airport decreased 2.3% per year, and the average yield per mile decreased 1.0% per year.

##### **f. Comparative fares and yields**

As of the 4<sup>th</sup> quarter of 2000, the average fare and yield at the Airport were lower than the average for a peer group of airports of similar size.

##### **g. Comparison of average fares**

As of 2000, average fares for service to the top 10 origin-destination markets from Sacramento were comparable to those offered at alternative airports in the San Francisco Bay Area, and in many cases lower.

## **5. GATE ASSIGNMENT POLICY**

### **a. Changes under new lease agreement**

The 2000 Competition Plan report summarized the flexibility to accommodate airline requests for gates. The County can confirm that this flexibility has been retained with the new Agreements.

### **b. Additional information on County authority over preferential gates**

Section 3.06 of the Agreement addresses the County's authority to reassign preferential gates. This authority is summarized as follows:

1. The Director may assign, reassign, allocate, reallocate, or relocate all or part of the preferentially leased space if determined by the Director to be in the best interest of the traveling public.
2. If the Director determines that such adjustment described above is necessary, the Director shall arrange for a discussion among affected parties to arrive at a mutually acceptable arrangement.
3. If the discussion among affected parties does not result in a satisfactory result, the Director has the authority to unilaterally accomplish the required adjustments.

The Agreement provides for a process of coordination and discussion with airlines in order to make a "first attempt" at finding a solution that meets the needs of all parties. Ultimately, however, the Director has the authority to ensure that facilities are available for new airlines or existing airlines seeking to expand service.

## **6. FINANCIAL CONSTRAINTS**

The County has developed facilities at the Airport in a prudent, cost-effective manner, with the result that airline costs for facilities are reasonable in relation to industry benchmarks. Given that there is currently available capacity for new airline service, there are no financial constraints to accommodating such service increases. In the longer term, any growth in demand that would require increased capacity would be expected to also provide increased airline revenue to invest in such capacity in a cost-effective manner. The County is currently completing a Master Plan Update to identify long-term facilities needs and develop a financial plan to meet these needs.

As mentioned earlier, the County has the authority under the Agreement to implement new capital improvements without a majority approval by existing airlines. Nonetheless, it is the County's intent to coordinate with the airlines and pursue capital investments that meet the agreement of the airlines serving the Airport.

## **7. AIRPORT CONTROLS OVER AIRSIDE AND LANDSIDE CAPACITY**

The Agreement with the airlines is the basis for County control over airside and landside capacity.

On the airside (gates), the County has the right to reassign preferential use gates, which account for the majority of the gates at the Airport. In addition, the County has 4 common use gates available for new entrants.

On the landside (ticketing, etc.), the County also has the right to reassign preferential space and meet the needs of airlines seeking to add service.

## **8. AIRPORT INTENT TO BUILD OR ACQUIRE COMMON USE GATES**

As mentioned earlier, the County does not have any current plans to acquire common use gates. The existing common use gates are estimated to be sufficient to accommodate new entrant airline needs in the near term. For the longer-term, the Airport Master Plan Update that is currently underway will identify the need for additional gates.

The County is in the process of renovating the former commuter terminal building to serve as an international arrivals building. This renovated building will contain 1 arrival only gate with a passenger loading bridge and space for processing arriving international passengers. This new gate and associated processing space will be used on a common-use basis.

## **9. PUBLICATION OF COMPETITION PLAN**

As suggested by FAA, the County intends to publish the Competition Plan report on the County's web site.

## **ATTACHMENT A RESPONSE TO FAA COMMENTS**

This attachment documents the specific sections of the Competition Plan Update report that address the comments provided in FAA's letter dated February 20, 2001.

### **Terms of New Lease Agreement**

1. Copies of new agreement—provided in Attachment B
2. Signatory terms—Section 2(e)
3. Ground handling terms—Section 2(e)
4. MII provisions—Section 2(e)

### **Availability of Gates**

1. Intent regarding common use gates—Section 1(a)
2. New gates—Section 1(c )
3. Gate use monitoring—Section 1(f)
4. Information on gate availability—Section 1(i)

### **Leasing and Subleasing**

1. Changes in lease terms—Section 2(a)
2. Status of new leases—Section 2(b)
3. Progress re: new business arrangements—Section 2(f)

### **Gate Assignment Policies**

1. Flexibility for new entrants—Section 5(a)
2. Additional information on preferential conditions—Section 5(b)

### **Other**

1. Web site publishing—Section 9

**ATTACHMENT B**  
**AIRLINE ACTIVITY AND SERVICE DATA**

Table B-1  
**AIRLINE MARKET SHARES**  
**Sacramento International Airport**

	1999		2000		2001	
	Enplaned passengers	Percent of total	Enplaned passengers	Percent of total	Enplaned passengers	Percent of total
Southwest Airlines	1,829,547	49%	1,994,952	50%	2,038,192	51%
United Airlines	643,603	17%	627,058	16%	569,430	14%
America West Airlines	252,741	7%	278,043	7%	343,333	9%
Delta Airlines	254,801	7%	250,302	6%	220,095	5%
Alaska Airlines	183,365	5%	171,019	4%	174,992	4%
American Airlines	160,327	4%	157,883	4%	158,150	4%
Northwest Airlines	94,959	3%	112,436	3%	115,917	3%
Trans World	92,790	2%	99,254	3%	85,014	2%
Horizon Airlines	92,362	2%	91,819	2%	82,863	2%
Continental Airlines	-	0%	43,046	1%	73,104	2%
Win Air	25,136	1%	-	0%	-	0%
Other air carriers	2,733	0%	2,593	0%	3,687	0%
Commuter airlines	<u>132,259</u>	<u>4%</u>	<u>124,181</u>	<u>3%</u>	<u>145,292</u>	<u>4%</u>
Total	3,764,623	100%	3,952,586	100%	4,010,069	100%

Source: County of Sacramento, Department of Airports.



Table B-2  
**AVERAGE DAILY NONSTOP SERVICE**  
**Sacramento International Airport**

Airline	1999		2001 (a)	
	Average daily departures	Cities served	Average daily departures	Cities served
Major/national				
Southwest Airlines	53.9	8	61.1	9
United Airlines	17.0	4	17.1	4
America West Airlines	10.2	3	12.2	3
Delta Airlines	5.6	2	5.0	2
Horizon Airlines	5.6	2	5.2	1
Alaska Airlines	5.3	1	5.3	1
American Airlines	4.0	1	4.3	1
Northwest Airlines	2.2	1	2.9	1
Trans World	2.2	1	2.3	1
Continental Airlines	-	-	1.9	1
Commuter				
Skywest Airlines	-	-	1.8	1
Sunair Express	-	-	1.2	2
United Express/Skywest	17.7	2	17.7	2
US Airways Express	5.4	1	-	-
Total	129.1	19	138.0	23

(a) January through September only.

Source: Official Airline Guides, Inc.

Table B-3  
**AVERAGE DAILY NONSTOP DEPARTURES BY AIRLINE AND CITY**  
**Sacramento International Airport**  
January-September 2001

DESTINATION	Commuter			Air Carrier										Total	# of Carriers
	SKYWEST AIRLINES	SUNAIR EXPRESS	UNITED EXP/SKYWEST	ALASKA AIRLINES	AMERICA WEST AIRLINES	AMERICAN AIRLINES	CONTINENTAL AIRLINES	DELTA AIR LINES	HORIZON AIRLINES	NORTHWEST AIRLINES	SOUTHWEST AIRLINES	TWA AIRLINES LLC	UNITED AIRLINES		
ATLANTA(INTL) GEORGIA USA	-	-	-	-	-	-	-	1.9	-	-	-	-	-	1.9	1
BURBANK CALIFORNIA USA	-	-	-	-	-	-	-	-	-	-	9.3	-	-	9.3	1
CHICAGO(O'HARE) ILLINOIS USA	-	-	-	-	-	-	-	-	-	-	-	-	3.4	3.4	1
DALLAS/FT. WORTH(INTL) TEXAS USA	-	-	-	-	-	4.3	-	-	-	-	-	-	-	4.3	1
DENVER(INTL) COLORADO USA	-	-	-	-	-	-	-	-	-	-	-	-	6.3	6.3	1
EUREKA/ARCATA CALIFORNIA USA	-	-	1.7	-	-	-	-	-	-	-	-	-	-	1.7	1
HOUSTON(INTL) TEXAS USA	-	-	-	-	-	-	1.9	-	-	-	-	-	-	1.9	1
KANSAS CITY(INTL) MISSOURI USA	-	-	-	-	-	-	-	-	-	-	1.0	-	-	1.0	1
LAS VEGAS(INTL) NEVADA USA	-	-	-	-	2.0	-	-	-	-	-	6.8	-	-	8.8	2
LOS ANGELES(INTL) CALIFORNIA USA	-	-	-	-	-	-	-	-	-	-	7.7	-	6.4	14.0	2
MINNEAPOLIS/ST. PAUL(INTL) MN USA	-	-	-	-	-	-	-	-	-	2.9	-	-	-	2.9	1
OAKLAND CALIFORNIA USA	-	0.4	-	-	-	-	-	-	-	-	-	-	-	0.4	1
ONTARIO CALIFORNIA USA	-	-	-	-	-	-	-	-	-	-	11.6	-	-	11.6	1
ORANGE CTY.(J.WAYNE APT) CA. USA	-	-	-	-	4.4	-	-	-	-	-	-	-	-	4.4	1
PHOENIX(INTL) ARIZONA	-	-	-	-	5.8	-	-	-	-	-	4.6	-	-	10.5	2
PORTLAND OREGON USA	-	-	-	-	-	-	-	-	5.2	-	5.0	-	-	10.2	2
REDDING CALIFORNIA USA	-	0.7	-	-	-	-	-	-	-	-	-	-	-	0.7	1
SALT LAKE CITY UTAH USA	1.8	-	-	-	-	-	-	3.1	-	-	-	-	-	4.9	2
SAN DIEGO(INT'L) CALIFORNIA USA	-	-	-	-	-	-	-	-	-	-	11.3	-	-	11.3	1
SAN FRANCISCO(INTL) CALIFORNIA USA	-	-	16.0	-	-	-	-	-	-	-	-	-	-	16.0	1
SEATTLE/TACOMA(INTL) WA USA	-	-	-	5.3	-	-	-	-	-	-	3.9	-	-	9.2	2
ST. LOUIS(INTL) MISSOURI USA	-	-	-	-	-	-	-	-	-	-	-	2.3	-	2.3	1
WASHINGTON(DULLES INTL) DC USA	-	-	-	-	-	-	-	-	-	-	-	-	1.0	1.0	1
Total	1.8	1.2	17.7	5.3	12.2	4.3	1.9	5.0	5.2	2.9	61.1	2.3	17.1	138.1	13
Cities Served	1	2	2	1	3	1	1	2	1	1	9	1	4	23	

Source: Official Airline Guides, Inc.

Table B-4  
**CHANGES IN AIR SERVICE**  
**September 2001 vs. September 2000**  
 Sacramento International Airport

<u>Increased Service</u>	<u>Airport code</u>	<u>Change in monthly nonstop seats</u>
New destinations		
Oakland	OAK	500
Redding	RED	<u>500</u>
Subtotal		1,000
Existing Service		<u>33,450</u>
Total		34,450
<u>Reduced Service</u>		
Continuing destinations		(7,300)
<b>Net increase</b>		<b>27,150</b>

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Source: Official Airline Guides, Inc.

Table B-5  
**HISTORICAL TRENDS IN AIRFARES AND YIELDS**  
 Sacramento International Airport

<u>Year</u>	<u>Average Fare</u>	<u>Average Yield</u>
1990	\$154.83	\$13.79
1991	124.08	12.10
1992	112.12	10.88
1993	114.40	11.69
1994	106.21	11.19
1995	98.92	10.89
1996	101.89	11.16
1997	105.53	11.35
1998	107.46	11.45
1999	113.13	11.86
2000	123.17	12.46
Average annual percent change	-2.3%	-1.0%

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Source: U.S. Department of Transportation, Origin-Destination Survey, for years noted.

Table B-6  
**COMPARATIVE FARES AND YIELDS--AIRPORT TOTALS**  
**Sacramento International Airport and Peer Group Airports**  
4th Quarter 2000 vs. 4th Quarter 1999

Airport	Markets	4th Quarter 2000				4th Quarter 1999				Percent Change			
		Total passengers	Average fare	Yield	Average trip length	Total passengers	Average fare	Yield	Average trip length	Total passengers	Average fare	Yield	Average trip length
MINNEAPOLIS, MN	48	2,813,350	205	21	984	2,596,740	201	21	971	8.3%	2.0%	0.3%	1.3%
PHILADELPHIA, PA	45	2,697,050	217	20	1,089	2,449,590	213	21	1,014	10.1%	1.9%	-5.4%	7.4%
SAN JOSE, CA	33	2,404,200	169	20	868	2,221,340	139	17	797	8.2%	21.6%	11.6%	8.9%
OAKLAND, CA	22	2,153,100	111	18	604	2,017,060	97	17	566	6.7%	14.4%	6.8%	6.7%
ST. LOUIS, MO	50	2,086,470	178	23	770	2,157,550	157	21	754	-3.3%	13.4%	11.3%	2.1%
PORTLAND, OR	35	1,946,380	154	15	1,011	1,906,500	137	14	990	2.1%	12.4%	10.0%	2.1%
KANSAS CITY, MO	47	1,929,110	146	17	846	1,904,580	135	16	822	1.3%	8.1%	4.9%	2.9%
SALT LAKE CITY, UT	41	1,699,110	147	16	919	1,619,360	136	15	883	4.9%	8.1%	4.1%	4.1%
MIAMI, FL	37	1,650,170	198	16	1,218	1,737,100	186	16	1,185	-5.0%	6.5%	3.2%	2.8%
NEW ORLEANS, LA	34	1,612,960	147	17	890	1,527,540	138	16	872	5.6%	6.5%	4.6%	2.1%
<b>SACRAMENTO, CA</b>	<b>23</b>	<b>1,480,460</b>	<b>124</b>	<b>17</b>	<b>721</b>	<b>1,378,050</b>	<b>111</b>	<b>16</b>	<b>684</b>	<b>7.4%</b>	<b>11.7%</b>	<b>6.3%</b>	<b>5.4%</b>
RALEIGH/DURHAM, NC	35	1,469,860	157	19	825	1,397,270	144	18	780	5.2%	9.0%	3.4%	5.8%
CLEVELAND, OH	36	1,465,480	177	21	843	1,545,450	160	20	810	-5.2%	10.6%	6.2%	4.1%
SANTA ANA, CA	24	1,391,510	175	20	877	1,374,700	158	19	838	1.2%	10.8%	5.4%	4.7%
HARTFORD, CT	31	1,229,360	172	15	1,119	1,138,360	162	15	1,109	8.0%	6.2%	5.1%	0.9%
NASHVILLE, TN	35	1,221,550	150	19	785	1,202,120	138	17	791	1.6%	8.7%	9.5%	-0.8%
INDIANAPOLIS, IN	32	1,207,540	163	18	913	1,154,890	155	17	902	4.6%	5.2%	3.6%	1.2%
ONTARIO, CA	23	1,168,480	115	17	693	1,148,510	106	16	665	1.7%	8.5%	4.2%	4.2%
AUSTIN, TX	29	1,123,180	184	21	876	1,027,390	163	19	841	9.3%	12.9%	8.4%	4.2%
PITTSBURGH, PA	27	1,068,820	214	25	854	1,018,240	206	25	840	5.0%	3.9%	2.3%	1.7%
BURBANK, CA	10	1,021,490	89	23	384	1,024,310	82	22	378	-0.3%	8.5%	7.2%	1.6%
Weighted Average	35	1,659,030	165	19	878	1,597,460	152	18	846	3.9%	8.6%	5.0%	3.7%

Source: Data provided by FAA.

Table B-7  
**COMPARISON OF AVERAGE ONE-WAY AIRLINE FARES**

<u>Top 10 Sacramento markets</u>	Sacramento International	San Francisco International	Oakland International	San Jose International
Los Angeles	\$65	\$80	\$64	\$64
San Diego	66	68	69	69
Ontario	66	80	64	65
Burbank	66	87	67	67
Seattle	80	90	74	76
Las Vegas	75	77	76	73
Portland	67	85	70	73
Phoenix	93	89	88	94
Orange County	109	91	71	69
Washington, D.C. (a)	211	314	192	293
 Average for top 10 markets	 \$90	 \$106	 \$84	 \$94
Average for all markets	123	211	108	155

(a) Washington Dulles International, Baltimore/Washington International, and Washington National airports.  
Source: U.S. Department of Transportation/Air Transport Association of America, Origin-Destination Survey of Airline Passenger Traffic, Domestic, for the 12 months ended December 31, 2000.

**ATTACHMENT C**  
**COPY OF NEW AIRLINE AGREEMENT**

**SACRAMENTO INTERNATIONAL AIRPORT**

**SCHEDULED AIRLINE OPERATING AGREEMENT**

**AND TERMINAL BUILDING LEASE**



**SACRAMENTO INTERNATIONAL AIRPORT  
SCHEDULED AIRLINE OPERATING AGREEMENT  
AND TERMINAL BUILDING LEASE**

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**SACRAMENTO INTERNATIONAL AIRPORT  
SCHEDULED AIRLINE OPERATING AGREEMENT  
AND TERMINAL BUILDING LEASE**

This Scheduled Airline Operating Agreement and Terminal Building Lease (hereinafter "Agreement") is made and entered into this \_\_\_\_\_ day of \_\_\_\_\_, 2000 by and between the COUNTY OF SACRAMENTO, a political subdivision of the State of California (hereinafter "County"), and Delta Air Lines, Incorporated, a corporation organized and existing under the laws of the State of Delaware, and authorized to do business in the State of California (hereinafter "Airline");

**W I T N E S S E T H:**

WHEREAS, County is the owner and operator of the Airport System located in Sacramento County, California, and has the right to lease portions of this Airport System and to grant operating privileges at airports within the Airport System subject to specified terms and conditions; and

WHEREAS, Airline is a corporation primarily engaged in the business of providing air transportation with respect to persons, cargo, and mail; and

WHEREAS, both County and Airline desire to enter into this Agreement to set forth the rights, privileges, and obligations of both parties with respect to the leased portions of the Airport, and to grant operating privileges at the Airport subject to the terms and conditions hereinafter set forth; and

WHEREAS, both County and Airline desire to enter into this Agreement also to facilitate the development, promotion, and improvement of air commerce;

NOW, THEREFORE, County and Airline agree as follows:

**ARTICLE 1**

**DEFINITIONS**

**Section 1.01.        Definitions**

When used elsewhere in this Agreement the words and phrases in this Section 1.01 shall have the following meanings:

- A.        "Air Transportation" shall mean the carriage of persons, property, cargo, baggage, or mail by aircraft.
- B.        "Aircraft Arrivals" shall mean any and all landings by aircraft at the Airport and Mather Airport but shall exclude any landings by aircraft owned or operated by the U.S. Government
- C.        "Aircraft Gate" shall mean those aircraft loading positions shown on Exhibit A-3 as they now exist or as they may hereinafter be modified or changed.
- D.        "Airport" shall mean Sacramento International Airport as it exists as of the effective date of this Agreement and as it may be changed from time to time in the future.
- E.        "Airport System" shall mean Sacramento International Airport, Executive Airport, Mather Airport, Franklin Field, and any other aviation facility as may be from time to time owned or operated by County and designated by the County to be part of the Airport System.
- F.        "Airport System Cost Centers" shall mean the following cost centers, more fully described in Exhibits B1 and B2, to be used in accounting for Airport System revenues and expenses and for calculating and adjusting certain rentals and fees described herein:
  - 1.        "Airfield Area" shall mean those areas on the Airport, as they now exist or as they may hereafter be modified, changed, or developed, that provide for the landing, takeoff, taxiing, parking (other than in the Apron Area), or other

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operations of aircraft. The Airfield Area includes the runways, taxiways, approach and clear zones, safety zones, infield areas, landing and navigational aids, and other facilities and land areas (including but not limited to runway protection zones and noise protection zones as established by the County) at the Airport required by or related to aircraft operations.

2. "Apron Area" shall mean the areas dedicated to parking, servicing, and ground handling of aircraft at the Airport.

3. "Loading Bridges" shall mean any loading bridges owned or leased by County serving aircraft at the Terminal Buildings.

4. "Terminal Building" shall mean the terminal buildings at the Airport (including Terminal B Terminal C, the Commuter Terminal Building and Terminal A [when constructed]) serving the airlines, together with the associated concourses and the Central Public Service Building as they now exist or as they may hereafter be reconstructed, modified, changed or developed.

5. "Parking and Roadways" shall mean the access roads, roads, automobile parking areas and other areas (excluding Airfield Area) surrounding the passenger Terminal Buildings as such areas now exist or as they may hereafter be modified, changed or developed.

6. "Reliever Airports" shall mean the system of general aviation airports, other than the Airport, owned or operated by County, as such system now exists or as it may hereafter be modified, changed or developed. The Reliever Airports currently include Executive Airport, Mather Airport and Franklin Field.

7. "Other Buildings and Areas" shall mean those portions of the Airport System not included in the preceding Airport System Cost Centers, including the facilities, installations and improvements thereon as they now exist, or as they may hereafter be modified, changed or developed, and any other interest owned by the County in real property with regard to the Airport.

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G. "Airport System Purpose" shall mean any action or undertaking by County directly or indirectly related to the development and preservation of the Airport System for air commerce.

H. "Airport System Revenue" shall mean all gross income and revenue received by the County from the ownership or operation of the Airport System, including all rents, fees and charges received by the County for the use of the Airport System, all investment income (other than investment income from amounts or deposits in the Capital Improvement Fund, the Acquisition and Construction Fund and any Capitalized Interest Account) and all proceeds of insurance covering business interruption loss relating to the Airport System and all other income and revenue howsoever derived by the County from the ownership or operation of the Airport System or arising from the Airport System, but excluding (i) any gifts, grants or other amounts the use of which is restricted by the donor or grantor by law or regulation, (ii) any receipts derived from Special Facilities to the extent the receipts are pledged to secure the financing of the Special Facilities, (iii) the proceeds of any passenger facility charge or other per-passenger charge hereafter established by or for the County, (iv) the proceeds from the sale, transfer or other disposition of title to all or any part of the Airport System, (v) the proceeds of any court or arbitration award or settlement in lieu thereof received by the County, and (vi) the proceeds of any securities offering.

I. "Annual Bond Debt Service" shall mean the total amount required to be deposited in any Fiscal Year to any Interest, Principal or Sinking Fund Accounts established by the Bond Resolution for any Bonds issued for the Airport System.

J. "Airport System Budget" shall mean the Airport System annual capital and operating budget prepared, and periodically revised and updated, by the Director and submitted to the County Executive prior to the commencement of the Fiscal Year in which it is to apply.

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K. "Bonds" shall mean any bonds issued in accordance with the Bond Resolution.

L. "Bond Resolution" shall mean any ordinance or resolution, heretofore or hereafter adopted, amendatory or supplemental thereto, authorizing the issuance of bonds or other securities or obligations which are payable from or secured by all or any part of the gross revenues of the Airport System.

M. "Capital Improvement" shall mean any single item having a net cost in excess of two hundred thousand dollars (\$200,000) and a useful life in excess of five (5) years, acquired, purchased or constructed to improve, maintain or develop the Airport System, as well as any extraordinary or substantial expenditure whose object is to preserve, enhance or protect the Airport System.

N. "Coverage" shall mean, for any series of Bonds, a given percentage of the Annual Bond Debt Service that shall accrue during any given Fiscal Year and shall also mean the dollar amount computed by multiplying such percentage to set the maximum Annual Bond Debt Service.

O. "Date of Beneficial Occupancy" shall mean October 26, 1999 which was the date Terminal A, or such successor name for this facility as may be designated by the Director, was ready for occupancy by Airline for the conduct of Air Transportation.

P. "Director" shall mean the person holding the position of Director of Airports of County or any other person designated by Director to exercise functions with respect to the rights and obligations of the Director as specified in this Agreement.

Q. "Exclusive Use Space" shall mean that space set forth in Exhibits A-1 and A-2 and leased by County to Airline for Airline's sole use.

R. "FAA" shall mean the Federal Aviation Administration of the United States Government or any federal agency or agencies succeeding to its jurisdiction.



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S. "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 County for its financial affairs.

T. "General Fund of the County" shall mean the fund by that name existing in the treasury of the County created under applicable law.

U. "Joint Use Formula" shall mean a formula that is used to prorate charges for a particular jointly used service or space according to the ratio of the number of each airline's enplaning passengers at the Airport during the most recent month for which such information is available to the total number of enplaning passengers of all airline users at the Airport during that same month or such other formula as may be agreed upon by all Signatory Airlines using that service or space.

V. "Joint Use Space" shall mean that space set forth in Exhibits A-1 and A-3 and leased by County to Airline for shared use with one or more other airlines.

W. "Maintenance and Operation Expenses" shall mean all costs paid or incurred by the County for maintaining and operating the Airport System, including all expenses of maintenance and repair and other expenses necessary to maintain and preserve the Airport System in good condition and working order, and including all administrative costs of the County that are charged directly or apportioned to the operation of the Airport System, such as salaries and wages of employees, overhead, insurance, taxes (if any), insurance premiums, capital outlays (excluding Capital Improvements), judgments, assessments (including assessments for flood control) and cost of defending or settling litigation or threatened litigation, and including all other costs of the County or charges required to be paid by it to comply with the terms of the law or of Bonds, including but not limited to compensation, reimbursement and indemnification of the Fiscal Agent, Letter of Credit fees, Credit Facility fees and expenses of Independent Certified Public Accountants and Airport Consultants and other fees and expenses related to the issuance of Bonds which are not paid from the proceeds

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of Bonds; but excluding any payments of Debt Service and excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles or any other bookkeeping entries of a similar nature.

X. "Maximum Gross Landing Weight" shall mean that maximum certificated weight, in thousand (1,000) pound units, of each aircraft authorized by the FAA to land at an airport in the Airport System as recited in Airline's flight manual governing that aircraft type.

Y. "Preferential Use" shall mean nonexclusive use, to which an airline has, priority over all other users, *subject to the terms and conditions of this agreement, in common with others.*

Z. "Preferential Aircraft Parking Position" shall mean the nonexclusive use, to which an airline has priority over all other users, subject to the terms and conditions of this Agreement of an Apron Area, or portion thereof, at Airport designated or allocated by the Director to Airline for Airline's use, in common with others, for the parking of aircraft owned or operated by Airline. The preferential use Apron Area is more fully set forth in Exhibit A-3.

AA. "Preferential Use Space" shall mean that space that is not Exclusive Use Space or Joint Use Space in which Airline has priority over all other users, subject to the terms and conditions of this Agreement, thereof and as set forth in Exhibit A-3.

BB. "Public Areas" shall mean those Terminal Building areas not leased on an exclusive or joint use basis, or otherwise, to any person, company or corporation, that are open to the general public. Such areas are shown in Exhibit D.

CC. "Public View Areas" shall mean those areas within the Terminal Building which are reasonably expected to be seen by the general public when in the Terminal Building.

DD. "Rules and Regulations" shall mean those rules and regulations promulgated by the County or Director, governing conduct on and operations at any airport within the

**Sacramento International Airport**

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Airport System and use of any of the facilities of the Airport System, but shall not include those rules and regulations from which Airline is expressly excluded from compliance, by Director or by this Agreement.

EE. "Signatory Airlines" shall mean those airlines providing Air Transportation to and from an airport in the Airport System that have executed agreements with County or permits issued by the Director covering the use and occupancy of facilities and Air Transportation operations at an airport in the Airport System.

FF. "Special Purpose Facility" shall mean any specific improvement undertaken by County for the benefit of one or more airlines or other Airport tenants under the terms of an agreement that provides for, among other things, (a) the payment of rentals or fees for the use or occupancy thereof in sufficient amounts to permit the financing of such improvement solely from such rentals or fees, and (b) the payment of the maintenance and operation expenses of such improvement by the airline(s) or tenant(s) thereof.

GG. "Total Landed Weight" shall mean the sum of the Maximum Gross Landing Weight for all Signatory Airlines Aircraft Arrivals over a stated period of time. Said sum shall be rounded up to the nearest thousand (1,000) pound unit for all landing fee computations.

HH. "Usable Space" shall mean all areas in the Terminal Building including open areas below concourses, and those reasonable areas designated by the Director in writing. Usable Space shall exclude areas used for mechanical and utility installations.

**Section 1.02. Cross-References**

All references to articles, sections, and exhibits in this Agreement relate to material in this Agreement unless specifically noted otherwise.

## ARTICLE 2

### TERM

#### Section 2.01. Term

This Agreement shall become effective upon the first day of the month immediately following execution by County and Airline and, unless sooner terminated in accordance with the provisions of this Agreement, shall expire June 30, 2003.

#### Section 2.02. Surrender of the Premises

County shall give no notice to quit possession at the expiration date of the term of this Agreement. Airline covenants and agrees that on expiration of the term of this Agreement, or on earlier termination as hereinafter provided, or on reassignment of the premises to others as hereinafter provided, it will peaceably surrender possession of the premises leased hereunder in good condition, reasonable wear and tear, acts of God, fire and other casualties excepted, and County shall have the right to take possession of said premises.

Airline shall have the right, on termination or reassignment and within thirty (30) days thereafter, to remove all trade fixtures, equipment and other personal property installed or placed by it at its expense, in, on or about the Airport, subject to any valid lien that County may have thereon for unpaid rentals or fees. All County property damaged by, or as the result of, the removal of Airline's property shall be restored by Airline, at its own expense, to the condition existing prior to such damage.

Airline shall not abandon any of its property on the premises. Any and all property not removed by Airline within thirty calendar days from termination or reassignment shall be disposed of by the County and all direct and indirect costs associated with the disposal shall be paid by Airline.

This Section 2.02 shall survive the expiration or termination of this Agreement.

**ARTICLE 3**

**RIGHTS, SPECIFIC PRIVILEGES, AND PREMISES**

**Section 3.01. Use of the Airport**

The parties agree that the purpose of this Agreement is to enable Airline to provide Air Transportation using Airport facilities. Consistent with this purpose, Airline, its officers, representatives, agents, employees, passengers, guests, patrons, contractors, subcontractors, licensees, subtenants, invitees, and suppliers shall have the right to the use (in common with other authorized users) of the Airport and appurtenances, together with all facilities, improvements, equipment, and services that have been or may hereafter be provided for use at or in connection with the Airport, subject to the Rules and Regulations and the terms of this Agreement.

**Section 3.02. Specific Rights of Airline at the Airport**

Consistent with the purpose set forth in Section 3.01, and subject to the Rules and Regulations of County, Airline shall have the right to use the Airport for the following:

A. The operation of an Air Transportation business using aircraft for the carriage of persons, property, cargo, baggage, and mail, including all activities reasonably necessary to such operation.

B. The landing, taking off, flying over, taxiing, pushing, towing, loading, unloading, delivering fuel to aircraft, repairing, maintaining, conditioning, servicing, parking, storing, and testing of aircraft or other equipment of or operated by Airline or others, including the right to provide or handle all or part of the operations or services of such others. For operations handled by Airline on behalf of others or service provided to others, Airline shall pay the County a five percent (5%) concession fee as established by the Director based on the gross revenues derived by Airline from such others. Those who demonstrate to the satisfaction of the Director that they are a subsidiary of one of the Signatory Airlines shall be exempt from this fee.

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C. The sale of tickets, documentation of shipments, handling of reservations, and the loading and unloading of persons, property, cargo, baggage, and mail at the Airport in the operation of Airline's Air Transportation business.

D. This Agreement does not convey any rights to Airline to provide commercial ground transportation services to any person upon payment of any fee or charge. However, so long as all applicable ground transportation ordinances, laws, rules and regulations are complied with, Airline may provide, directly or by agreement with third parties, prearranged ground transportation services for its employees, or passengers who must be transported to or from the Airport due to weather or other extraordinary event, without the imposition by the County of any ground transportation fees or other charges in addition to those specified in this Agreement, provided that approval of the Director is secured in advance of such transportation. If a third party is utilized to provide such ground transportation services, then Airline shall provide (or cause to be provided) documentation that the third party's transportation was provided exclusively to Airline's employees, or passengers who must be transported to or from the Airport due to weather or other extraordinary event, to the satisfaction of the Director, to receive an exemption from the County of its ground transportation fees and other charges.

E. The training at the Airport of employees of Airline. Training is to be limited to that incidental to Airline's Air Transportation business at the Airport or other Airport System airports. Flight training and testing of aircraft and other equipment shall be undertaken by Airline only with the prior written approval of the Director, and to the extent permitted by, and subject to, the conditions of the Rules and Regulations.

F. The purchase of Airline's requirements of personal property, services, food, beverage, other passenger supplies, and any other materials and supplies used by Airline that are incidental to the operation of Airline's Air Transportation business.

G. The sale, disposal and exchange of Airline's aircraft, engines, accessories and other equipment, and materials or supplies (excepting fuel and lubricants), provided

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that (1) such items are not otherwise available on the Airport from a vendor other than another airline, and (2) such right shall not be construed as authorizing the conduct of a separate regular business by Airline, but as permitting Airline to perform only such functions as are incidental to the operation of its Air Transportation business.

H. The servicing by Airline, or by its suppliers of materials, or furnishers of services, of aircraft and other equipment operated by Airline including the provision of line maintenance, or other materials or supplies, on Exclusive Use Space or Preferential Use Space or at assigned Aircraft Gates or other locations designated by the Director.

I. The installation and operation of identifying signs, posters, and graphics on Airline's leased premises, subject to the prior written approval of the Director. Such signs shall be substantially uniform in size, type and location with those of other airlines, consistent with County's graphic standards and the Rules and Regulations, and in compliance with all applicable laws and ordinances.

J. The installation, maintenance and operation of such radio, meteorological, and aerial navigation equipment and facilities at suitable locations on the Airport System airport as may be necessary or convenient in the opinion of Airline for its operations; provided that (1) the location of such equipment and facilities shall be subject to the prior written approval of County; (2) the use and location of such equipment and facilities shall not conflict with other similar equipment and facilities on Airport System airport; and (3) the use and location of such equipment and facilities on the Airport shall be subject to payment of standard rental rates established for such use of the Airport.

K. The installation, maintenance and operation of passenger clubs, lounges or VIP rooms in Airline's Exclusive Use Space or Preferential Use Space, provided that such right shall not be construed as authorizing the conduct of a separate regular business by Airline, but as *permitting Airline to perform only such functions as are incidental to the operation of its Air Transportation business*. An Airline may sell food, beverages, merchandise, telecommunication services or any other item, only in its clubrooms or VIP

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rooms and may only do so if the Airline pays the County the same percentage fees as County receives from its concessionaires of food, beverages, merchandise, telecommunication services or other items at Airport. An Airline shall not provide, without charge, food, beverages, merchandise, telecommunication services or any other item, unless the Airline purchases such items from the County's concessionaires or unless prior written permission to provide such items without charge is obtained from the Director.

L. The installation, maintenance and operation of computer data lines, telephone communications equipment and associated conduits, and telephone communications switchgear and support computers at suitable locations on the Airport, as may be necessary or convenient in the opinion of Airline for its operations; provided that (1) the location of such equipment shall be subject to the prior written approval of the Director, (2) the use and location of such equipment shall not interfere with the use of other similar equipment on the Airport, and (3) the use and location of such equipment on the Airport shall, if not on Exclusive Use Space, Preferential Use Space, or Joint Use Space, be subject to payment of such nondiscriminatory reasonable fee or charge as may lawfully be established by County for such use of the Airport by Airline.

M. Nothing in this Section 3.02 shall restrict County from requiring a permit and levying a charge on any person or company for conducting business at the Airport. Furthermore, County intends to levy a charge for such business conducted at Airport, including Airline's provision of non Air Transportation services to others, except for ground transportation services provided free of any fee or charge as set forth in Section 3.02 (D) of this Agreement.

**Section 3.03. Limitations on Use of Airport**

In connection with the exercise of Airline's rights under this Agreement, neither Airline nor any of its agents, employees, directors, officers, contractors, invitees, licensees, or representatives shall:



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A. Do anything that may interfere with the effectiveness or accessibility of the drainage and sewage system, electrical system, air conditioning system, fire protection system, sprinkler system, alarm system, fire hydrants and hoses, if any, installed or located on or within the premises of Airport-System airport.

B. Do anything that may invalidate or conflict with any fire or other casualty insurance policies (copies of which, together with premium schedules, shall be furnished to Airline on request) covering the Airport or any part thereof.

C. Dispose of any waste material or any product used (whether liquid or solid) with respect to its aircraft into the sanitary or storm sewers at the Airport unless such waste material or products are disposed of in full and complete compliance with all federal (including the Environmental Protection Agency), State and County laws for disposal of these waste materials and products. Prior to any disposal of waste materials or products, Airline shall first obtain the written approval of Director to such disposal method. The written approval of the Director shall not relieve Airline of full responsibility and liability for the disposal of any waste materials or products. It is understood between the parties hereto that the Director may withhold approval for any reason under this provision.

D. Keep or store, at any time, flammable or combustible liquids except in storage facilities especially constructed for such purposes in accordance with federal, State, and County laws including the Uniform Fire Code and the Uniform Building Code. For purposes of this Agreement flammable or combustible liquids shall have the same definitions as set forth in the most recent Uniform Fire Code.

E. Do anything that may be in conflict with FAR Part 139 or jeopardize the Airport's operating certificate.

F. Do anything that may be in conflict with the Airport's FAA approved security plan.

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E. Do anything that may be in conflict with FAR Part 139 or jeopardize the Airport's operating certificate.

F. Do anything that may be in conflict with the Airport's FAA approved security plan.

**Section 3.04. Airline Space**

A. Subject to the Director's ability to reassign as provided for in this Agreement, Airline hereby leases the following areas:

Exclusive Use Space	9,994	square feet
Preferential Use Space	3,896	square feet
Joint Use Space	22,467	square feet

The locations of the above spaces are delineated in Exhibits A1, A2, and A3

B. Preferential Aircraft Parking Positions shall be assigned to Airline by the Director on a preferential nonexclusive use basis. Subject to the Rules and Regulations, Airline shall use its preferential nonexclusive aircraft parking positions for servicing and fueling of aircraft, and loading and unloading passengers, baggage, cargo, property, and mail at the Airport.

C. Airline shall use its Exclusive Use Space and Preferential Use Space for office purposes and the sale of Air Transportation, handling, ticketing, billing and manifesting of passengers, baggage, cargo, property and mail in the conduct of its business of Air Transportation or on behalf of any other Air Transportation company authorized by Director to use the Airport. The use of such Exclusive Use Space may also include use as an Airline clubroom.

D. Airline shall use its Joint Use Space for purposes designated for such joint use area by Director.

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flight delay, the originally assigned Airline's flight schedule shall take precedence. Director shall give notice to an Airline's representative at Airport of any such authorization. In such event, County shall not preclude Airline from recovering the proportional cost (including proportional capital and overhead costs), plus an administrative fee of no greater than fifteen percent (15%), for such space from such authorized airlines.

**Section 3.06. Reassignment of Premises**

A. As determined by the Director to be in the best interest of the traveling public, the Director may assign, reassign, allocate, reallocate, or relocate all or part of Airline's premises referred to in Section 3.04.

B. If it becomes necessary to make adjustments in Airline's Exclusive Use Space, Preferential Use Space, or Joint Use Space, the Director shall arrange for all parties holding affected space to discuss reassignment, reallocation, or relocation of their space among themselves. If the parties do not reach agreement within thirty (30) calendar days from the time the Director requests such discussions, the Director is authorized to make such decisions regarding reassignment, reallocation, or relocation for each of the parties (including Airline). If the Director makes decisions (which shall be written) regarding reassignment, reallocation, or relocation of Airline's leased premises, Airline shall not be required to:

1. Incur any expense to relocate its operation to other premises that it does not agree to incur.
2. Accept premises not reasonably comparable to their current space based upon conditions at the Airport from either a competitive standpoint or an operational standpoint.
3. Pay at its new location rental rates in excess of that amount that it would have been required to pay in its original leased premises.

C. If the Director decides to proceed with reassignment, reallocation, or relocation of Airline's leased premises, the Director shall:

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1. Give Airline forty-five (45) calendar days notice of its reassignment, reallocation, or relocation.
2. Reimburse Airline for the undepreciated book value, on a straight-line basis, as determined by Director, of Airline's improvements in the space vacated.
3. Provide space similar in design, function and finish to the space from which Airline would be reassigned with Airline not responsible for the cost of any necessary improvements of the Airline to which it would be reassigned.

**Section 3.07. Employee Parking Facilities**

Airline shall have the right to the use of reasonably adequate vehicular parking facilities at the Airport for its employees, employed at the Airport, in common with employees of other airlines and Airport-related services. Such facilities shall be located in an area designated by the Director. County reserves the right to assess a reasonable charge for such employee parking facilities, provided that County shall give 30 days prior written notice to Airline prior to the effective date of any increase in such parking fees. Airline shall pay, as Additional Rent, all employee parking charges for their employees using Airport parking facilities. Airline shall, on request of the Director, provide verification that it is only providing parking for its employees employed at Airport.

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**Section 3.08. Access**

A. Subject to the terms of this Agreement, the Rules and Regulations, and such restrictions as Airline may impose with respect to its Exclusive Use Space, County hereby grants to Airline, its officers, representatives, agents, employees, passengers, guests, patrons, contractors, subcontractors, licensees, subtenants, invitees, and suppliers, the right and privilege of access, ingress and egress to the Terminal Building.

B. The ingress and egress provided for in Section 3.08(A) shall not be used, enjoyed or extended to any person engaging in any activity or performing any act or furnishing any service for or on behalf of Airline that Airline is not authorized to engage in or perform under the terms of this Agreement unless that person is expressly authorized by Director.

C. Director shall have the right at any time to close, relocate, reconstruct, change, alter or modify any such means of access provided for Airline's use pursuant to this Agreement or otherwise, either temporarily or permanently, provided that reasonable notice to Airline and a reasonably convenient and adequate means of access, ingress and egress shall exist or be provided in lieu thereof. County shall suffer no liability by reason thereof, and such action shall in no way alter or affect any of Airline's obligations under this Agreement.

ARTICLE 4

CAPITAL IMPROVEMENTS

**Section 4.01. Review of Capital Improvements**

It is the intent of the parties hereto to establish a procedure that will allow the timely review of anticipated Capital Improvements by Airline.

A. If County decides to undertake a Capital Improvement, the costs of which are to be funded by the inclusion of the purchase price, the construction cost, Coverage on Bonds, or lease payments in the rents or fees of Airline, County shall submit a report on such Capital Improvement to Airline. The report shall include the following:

1. A description of the proposed Capital Improvement together with cost estimates and any available preliminary drawings.
2. A statement of the need for such Capital Improvement.
3. A statement of the benefits to be derived from such Capital Improvement.
4. The allocation of the cost thereof to the various Airport System Cost Centers.
5. County's preferred means of financing the cost and the Fiscal Year in which the cost will be included in Airline's rents or fees.

B. Within a reasonable time, but no later than forty-five (45) calendar days after distribution of the report, Airline shall meet with the Director to discuss the subject Capital Improvement. The subject Capital Improvement shall be deemed approved unless, within sixty (60) calendar days after distribution of the report, concurrence is specifically withheld, in writing, by at least sixty-seven percent (67%) of the airlines in number and who together paid more than sixty- seven percent (67%) of the landing fees, Terminal Building rental fees, Loading Bridges fees, and Preferential Aircraft Parking

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Position fees, at the Airport and Mather Airport during the most recent twelve month period for which such data is available.

C. If, at the meeting, at least sixty-seven percent (67%) of the airlines in number and who together paid more than sixty-seven percent (67%) of the landing fees, Terminal Building rental fees, Loading Bridges fees, and Preferential Aircraft Parking Position fees at the Airport and Mather Airport during the most recent twelve month period for which such data is available, does not concur with the subject Capital Improvement, the Director shall convene a second meeting at which the Director will respond to questions raised during the first meeting, and provide any previously requested information concerning the subject Capital Improvement. If following this second meeting, the Director ultimately concludes that the aforesaid airlines comprising at least sixty-seven percent (67%) of the airlines in number and who together paid more than sixty-seven percent (67%) of the landing fees, Terminal Building rental fees, Loading Bridges fees, and Preferential Aircraft Parking Position fees at the Airport and Mather Airport during the most recent twelve month period for which such data is available, still do not concur with said Capital Improvement, then the subject Capital Improvement shall be deferred until the ensuing Fiscal Year after such second meeting. In such ensuing Fiscal Year, County may implement such Capital Improvement and include the amortization, debt service (including Coverage), loan payments and other costs associated with such Capital Improvement in the calculation of Airline's rentals and fees. Under this provision the proposed Capital Improvement will be deferred for a minimum of 12 months after the date that the report referred to in Section 4.01 (A) is distributed.

D. Even if concurrence in any proposed Capital Improvement is withheld, if County determines that such Capital Improvement is necessary or prudent to ensure compliance with a rule, regulation, or order of any federal, State, or other governmental agency that has jurisdiction over the operation of the Airport, then County may implement, without waiting until the ensuing Fiscal Year, such Capital Improvement.

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Upon completion of the Capital Improvement, the County may include the amortization, debt service (including Coverage), or loan payments for such Capital Improvement in the calculation of Airline's rentals and fees.

E. Notwithstanding the foregoing procedure, County, at any time, may implement any proposed Capital Improvement if the amortization, debt service (including Coverage), loan payments, and other costs associated with such Capital Improvement are not to be included in the calculation of Airline's rentals and fees. In such circumstances all revenues associated with such Capital Improvement shall not be included the calculation of Airline's rentals and fees.

**Section 4.02. Approved Capital Improvements**

The Capital Improvements identified on Exhibit C are exempt from the review procedures of Section 4.01.



**ARTICLE 5**

**RENTALS AND FEES**

**Section 5.01. Consideration**

The consideration that Airline agrees to provide County for leasing Exclusive Use Space, Preferential Use Space, Loading Bridges, Preferential Aircraft Parking Positions, and Joint Use Space under this Agreement includes, but is not limited to, the following: (1) providing regularly scheduled Air Transportation to and from the Airport (excluding interruptions which result from governmental action, or during periods of labor disputes or as a result of damage or destruction of facilities in accordance with Section 9.01); (2) paying the rentals and fees described in this Agreement without deduction or setoff; and (3) pursuant to FAR Part 158, or its successor provision, paying the proceeds of Passenger Facility Charges and providing the County with the Airline's annual Passenger Facility Charge Report as prepared by Airline's Independent Auditor within ninety (90) days of the close of Airline's fiscal year. County may, but is not required to, provide a courtesy notice requesting Airline's annual Passenger Facility Charge Report. Without limiting any other rights and remedies available to County under this Agreement and under law, failure to provide any of the above delineated consideration shall permit County to terminate this Agreement on ten (10) days advance written notice. In the event County terminates this Agreement pursuant to this Section 5.01, Airline shall have no further liability to County hereunder except for liabilities incurred prior to the termination date.

**Section 5.02. Terminal Building Rentals, Loading Bridge Use Fees, and Preferential Aircraft Parking Position Fees**

A. Airline shall pay County the following rentals and fees on the first day of each month in advance: Terminal Building rentals, Loading Bridge Use Fees, and Preferential Aircraft Parking Position Fees. All other fees set forth herein shall be due within thirty (30) calendar days of transmittal of an invoice therefor.

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The rental rates per square foot shall be calculated and recalculated annually in accordance with Article 6.

The rental for all Joint Use Space shall be prorated in accordance with the Joint Use Formula, using passenger enplanement statistics for the most recent six-month period for which such statistics are available.

Annually, following calculation of any adjustments, Director shall provide Airline with a statement of the monthly rental payments required for the ensuing year.

B. At the commencement of the term of this Agreement, Airline shall pay to County, for Exclusive Use Space, Preferential Use Space, and Joint Use Space the following sums:

1. For 9,994 square feet of Exclusive Use Space, a monthly sum of \$48,071.14, computed at the Terminal Building Rental Rate currently \$4.81 per square foot per month.
2. For 3,896 square feet of Preferential Use Space, a monthly sum of \$18,739.76, computed at the Terminal Building Rental Rate currently \$4.81 per square foot per month.
3. For Airline's prorated share of 22,467 square feet of Joint Use Space, a monthly sum of \$11,346.96 computed at the Terminal Building Rental Rate, currently \$ 4.81 per square foot per month. Airline's prorated share is determined in accordance with the Joint Use Formula.
4. County may, if requested in writing by at least sixty-seven percent (67%) of the airlines in number and who together paid more than sixty-seven percent (67%) of the landing fees, Terminal Building rental fees, Loading Bridges fees, and Preferential Aircraft Parking Position fees at the Airport during the most recent twelve month period for which such data is available, establish rental rates based upon the category of space being leased (i.e., ticket counters, office, baggage, makeup, holdroom, storage, etc.).

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C. Upon commencement of the term of this Agreement, the initial Loading Bridge Use Fee shall be a monthly sum computed at the current rate of Three Thousand Two Hundred Thirty-three and No/100 Dollars (\$3,233.00) per month per loading bridge. Thereafter, the Loading Bridge Use Fee shall be calculated and recalculated annually in accordance with Article 6, and shall cover the use by Airline of the assigned loading bridge.

D. Upon commencement of the term of this Agreement, the Preferential Aircraft Parking Position Fee shall be a monthly sum of Five Thousand Eight Hundred Thirty-one and No/100 Dollars (\$5,831.00) per aircraft parking position. Thereafter, the Preferential Parking Position Fee shall be calculated and recalculated annually in accordance with Article 6, and shall cover the use by Airline of the assigned aircraft parking positions and associated apron.

**Section 5.03. Landing Fees**

A. Following the effective date of this Agreement, rentals and fees for the use of the other facilities, rights, licenses and privileges granted to Airline under Article 3, except as provided elsewhere herein, shall be combined in and represented by a monthly landing fee (herein referred to as "Landing Fee"), subject to adjustment pursuant to Section 6.07. The Landing Fee rate per one thousand (1,000) pounds shall be multiplied by the Maximum Gross Landing Weight of all Airline's aircraft arrivals for the month. The Landing Fee rate for Fiscal Year 2000/2001 is \$ 1.72 per one thousand (1,000) pounds of landed weight (which rate shall be adjusted upward or downward based upon the Airport System Budget) or Eight Dollars (\$8.00) per Airline Aircraft Arrival, whichever is greater.

B. Airline shall furnish to Director on or before the tenth (10th) day of each month an accurate verified report detailing operations for the previous month and for the Fiscal Year to date, on forms prescribed by Director. Airline shall remit payment of

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Landing Fees for Airline's operations at the Airport no later than the 10th day of the second month following the month of Airline's operations. The report and payment shall be delivered or mailed, postage prepaid, to the Director. Said report shall include, but need not be limited to: (1) Airline's total number of Aircraft Arrivals, by type of aircraft and Maximum Gross Landing Weight of each type of aircraft; (2) the total number of enplaning and deplaning passengers; and (3) the total weight of freight, mail and other cargo for such month. The acceptance by County of any payment made by Airline shall not preclude County from verifying the accuracy of Airline's report submitted to County as provided in this Section 5.03, or from recovering any additional payment actually due from Airline.

C. If Airline fails to furnish County with the report required by Section 5.03(B), Airline's Landing Fee shall be determined by assuming that the Total Landed Weight for Airline during the preceding month was 125% of the Total Landed Weight for the most recent month for which such figure is available. Any necessary adjustment in such Landing Fee shall be calculated after the required report is delivered to County by Airline for the month in question, and resulting surpluses or deficits shall be applied to Airline's Landing Fee for the next succeeding month. An accounting fee of fifteen percent (15%) of the amount due as shown on such required report, or such lesser accounting fee as may be determined by the Director to be sufficient to reimburse the County, shall be payable by Airline for the additional services required of County pursuant to this Section 5.03(C).

**Section 5.04. Additional Rent**

County, after due notice to Airline, may, but is not obligated to, cure any default on Airline's part in fulfilling Airline's covenants and obligations under this Agreement. Any amounts paid or lawful costs incurred by County to cure any such default(s) are hereby agreed to and declared to be Additional Rent. Unless otherwise provided herein, all Additional Rent shall be due and payable with the next succeeding installment of monthly rent due under this Agreement.

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**Section 5.05. Passenger Facility Charges**

Airline agrees to faithfully collect and promptly remit to County (without notice or demand by County and in accordance with FAR Part 158) the proceeds of the County's Passenger Facility Charge so long as the County has an FAA approved Passenger Facility Charge in effect. Airline shall pay the County interest for late payment of Passenger Facility Charge proceeds to County in accordance with Section 5.06. Further, both Airline and County hereby covenant to fulfill their responsibilities under the terms of FAR Part 158. If legislation and regulations, in effect on the date of this Agreement, governing passenger facilities charges, use fees, or similar charges on Airline's passengers using the Airport are amended, changed, or eliminated during the term of this Agreement, the County reserves the right to appropriately adjust such charges, levy new charges, revise charges, or implement additional charges as determined by the County to be necessary.

**Section 5.06. Liquidated Damages on Overdue Payments**

Without waiving any other right available to County in the event of default in Airline's payment of rentals, fees or charges under this Agreement, including Passenger Facility Charge proceeds, in the event that Airline is delinquent for a period of seven (7) calendar days or more from the date when due in paying County any such rentals, fees or charges, Airline shall pay County liquidated damages thereon, from the date such rents, fees or charges become payable to the date of payment at the rate of one and one-half percent (1.5%) per month; provided, however, that if the maximum rate then provided by law is less than one and one-half percent (1.5%) per month, then the rate shall be such maximum legal rate. County may, but is not obligated to, provide Airline with a written reminder where invoiced rentals, fees or charges have not been received within thirty (30) calendar days of transmittal of the invoice therefor.

**Section 5.07. Security Deposit**

In order to guarantee the timely payment of all rentals and fees provided for herein, Airline shall remit to County as of the effective date of this Agreement a security deposit in the amount of:

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(a) Airline's estimated Landing Fees for two (2) months (as determined on the basis of Airline's published flight schedule as of that date times the actual Landing Fee rate effective as of that date);

(b) Airline's estimated Exclusive Use Space, Preferential Use Space, and Joint Use Space rentals for two (2) months (as determined on the basis of Airline's actual leased space as of that date times the actual rental rates effective as of that date, using activity data for the most recent calendar month to allocate Joint Use Space costs). The security deposit may be adjusted by County as Airline's flight activity and space rental commitment increases or decreases.

Such deposit shall be in the form of an irrevocable letter of credit, or other security satisfactory to County, in a form approved by the Director. Document(s) evidencing this deposit must provide that the same shall remain in full force and effect for a period extending two (2) months following termination or cancellation of this Agreement as is herein provided.

If payments required to be made by Airline under the terms of this Agreement or payment of Passenger Facility Charge proceeds are not made, County shall have the right to forfeit, take, and use so much of such security deposit as may be necessary to make such payment in full and to exercise any other legal remedies to which it may be entitled, after notice.

**Section 5.08 Payment of Utility Charges**

Airline shall pay promptly for all utilities and utility services used by Airline at or in Airline's Exclusive Use Space in excess of those utility services specifically provided by County.

**Section 5.09. No Other Fees and Charges**

Except as expressly provided for in this Agreement, no further rentals, fees, or charges shall be charged against or collected by County from Airline, its passengers, shippers, and receivers of freight and express, or its suppliers of material, contractors, and furnishers of services for the premises, facilities, rights, licenses, and privileges granted to Airline under this Agreement. However, County expressly reserves the right to assess and collect reasonable fees for fuel sales, fueling services, inflight catering, food/beverage sales, vending, commercial ground transportation where charges are imposed on the customers thereof, and other business activities

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(other than Air Transportation). Also, County expressly reserves the right to assess and collect a Passenger Facility Charge in accordance with Section 5.05.

Anything in this Agreement to the contrary notwithstanding, this Section 5.09 shall not be interpreted or understood as contracting away any County governmental authority.

**Section 5.10. Federal Aviation Aeronautical User Rate Policy**

A. The County covenants to comply with the DOT Policy Regarding Rates and Charges in its capacity as Airport sponsor and operator in establishing rents and fees for the use of Airport by aeronautical users.

B. The County agrees to comply with Federal regulations concerning the diversion of Airport System Revenue for non Airport System purposes.

C. The parties agree that the rate making methodology established in this Agreement is consistent with the FAA Aeronautical Users Rate Policy. The parties agree that so long as the County complies with the terms and rate making conditions of this Agreement in adjusting these rents and fees, then County shall be deemed to be in compliance with the DOT Policy Regarding Rates and Charges.

D. Notwithstanding the above, County and Airline agree to attempt resolution of disputes through arbitration. In the event that either Airline or County elects to resolve a dispute through arbitration, each party shall appoint an arbitrator and the selected arbitrators shall select a third arbitrator. The three arbitrators shall conduct the arbitration in accordance with the rules and procedures of the American Arbitration Association. However, each party retains the right to subsequently pursue judicial review.

**ARTICLE 6**

**ADJUSTMENT OF AIRLINE RENTALS AND FEES**

**Section 6.01. Effective Date of Adjustments**

The Terminal Building rental rates, the Loading Bridge Use Fee, the Preferential Aircraft Parking Position Fee and the Landing Fee rate as described in Article 5 shall be adjusted annually as hereinafter set forth. Throughout this Article, whenever the adjustment calculation involves an estimate, the estimate of the Director shall be used. Such adjustments shall be effective on the first day of the Fiscal Year for which they apply.

**Section 6.02. County Records**

- A. County shall establish an Airport System accounting system and shall maintain accounting records that document the following items for each Airport System Cost Center:
1. Annual revenues.
  2. Maintenance and Operation Expenses, including administrative expenses.
  3. Expenses of County incurred for the improvement, renovation, or enhancement of the Airport System.
- B. County shall further maintain records evidencing the allocation of all capital funds to each Airport System Cost Center. Included in the allocation to each Airport System Cost Center shall be its proportionate share of the expenses of any Bond issuance, capitalized interest, and funding of special funds, determined with reference to the allocation of costs funded through securities or other capital fund sources. All State and federal funds received by County shall be deposited in the appropriate fund(s).



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**Section 6.03. Reports**

A. On or before March 1 of each Fiscal Year, Airline shall submit to County a written estimate of the Total Landed Weight for Airline for the succeeding Fiscal Year. Director may, but is not obligated to, provide Airline with a written reminder that a written estimate is due on March 1.

B. On or before May 1 of each Fiscal Year, Director shall submit to Airline the following reports in addition to report(s) described in Section 4.01.

1. County's Airport System Budget for the succeeding Fiscal Year which shall include:

a. Estimated Airport System Maintenance and Operation Expenses.

b. Annual Bond Debt Service, if any, and any estimated Bond Fund deposits.

2. A statement of estimated revenue from all sources other than Airline Terminal Building rentals, Loading Bridge Use Fees, Preferential Aircraft Parking Position Fees, and Landing Fees for the succeeding Fiscal Year.

3. A schedule of any Capital Improvement(s) to the Airport System proposed to be undertaken by County during the succeeding Fiscal Year, as provided in Section 4.01.

4. A calculation of the Terminal Building rental rates, Loading Bridge Use Fee, Preferential Aircraft Parking Position Fee and Landing Fee rate for the succeeding Fiscal Year, calculated in accordance with Sections 6.04, 6.05, 6.06 and 6.07 to be effective from and after the beginning of the Fiscal Year for which the Airport System Budget is adopted.

C. Each year County shall adopt an Airport System Budget for the Airport System and establish Terminal Building rental rates, a Loading Bridge Use Fee, a

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Preferential Parking Position Fee and a Landing Fee rate. County shall promptly furnish Airline with a copy of such Airport System Budget.

D. County retains the responsibility and expressly reserves the right to make all final decisions with respect to the Airport System Budget.

**Section 6.04. Calculation of Terminal Building Rental Rates**

A. Each year Director shall calculate the Terminal Building Requirement for the succeeding Fiscal Year by totaling the following amounts, as set forth in County's Airport System Budget:

1. The total of direct and allocated indirect estimated Airport System Maintenance and Operation Expenses allocable to the Terminal Building.
2. An amount 1.25 times the pro rata portion of Airport System Annual Bond Debt Service, if any, allocable to the Terminal Building or such other amount as may be required by the Bond Resolution.
3. The pro rata portion of the required repayment of (a) any subordinate security of the Airport System, or (b) loans made to the Airport System by County allocable to the Terminal Building.
4. The pro rata portion of the estimated amount, if any, for required Airport System Bond Fund Deposits allocable to the Terminal Building.
5. The annual amortization of the total amount, or the pro rata amount allocable to the Terminal Building, of any expenditures made by County after January 1, 1982, and prior to July 1 of the adjustment year, for Capital Improvements in the Terminal Building, reviewed in accordance with Article 4 and financed by County from its own resources. Such annual amortization is to be calculated and based on the economic life for each Capital Improvement determined by the County in accordance with generally accepted accounting principals at an interest rate equal to the average "Bond Buyer Revenue Bond

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Index” for the preceding calendar year or, in the event such index is no longer published, at such other rate as determined by the County to be consistent with the provisions of this Agreement. In performing the calculations under this Section 6.04(A), no amortization charges shall be included for the portion of capital expenditures that have been funded with the proceeds of the County Airport System Revenue Bonds, grants-in-aid, Passenger Facility Charge proceeds or other securities, the debt service for which has been included in the calculation of rents, fees or charges.

6. The estimated amount of any assessment, judgment or charge (net of insurance proceeds) to become payable by County relating directly to the Airport System or its operation, allocable to the Terminal Building.

7. Any deficit or credit estimated for operation of the Terminal Building during the then-current Fiscal Year or any adjustment carried over from the preceding Fiscal Year to reflect any difference between actual versus estimated expenses.

B. An average rental rate shall then be calculated by dividing the Terminal Building Requirement computed pursuant to Section 6.04(A) by the total Usable Space. Under no circumstances shall this average rental rate be less than twenty dollars (\$20.00) per square foot per year.

The product of the average rental rate multiplied by total airline rentable space in the Terminal Building is then divided by airline rented space to produce the effective airline rental rate per square foot.

The effective airline rental rate shall be multiplied by the total amount of space leased by airlines in the Terminal Building to determine the airlines rental requirement.

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**Section 6.05. Calculation of Preferential Aircraft Parking Position Fee**

During each year, or portion thereof, after the Date of Beneficial Occupancy of the Terminal A, the Preferential Aircraft Parking Position Fee shall be adjusted annually in the following manner:

- A. Each year the Director shall calculate the Preferential Aircraft Parking Position Fee Requirement for the succeeding Fiscal Year by totaling the following amounts, as set forth in County's Airport System Budget.
  1. The total of direct and allocated indirect estimated Airport System Maintenance and Operation Expenses allocable to the Apron Area portion of the Airfield Area.
  2. An amount 1.25 times the pro rata portion of Airport System Annual Bond Debt Service, if any, allocable to the Apron Area portion of the Airfield Area, or such other amount as may be required by the Bond Resolution.
  3. The pro rata portion of the required repayment of any subordinate security or loans made to the Airport System by County allocable to the Apron Area portion of the Airfield Area.
  4. The pro rata portion of the estimated amount, if any, for required Airport System Bond Fund Deposits allocable to the Apron Area portion of the Airfield Area.
  5. The annual amortization of the total amount, or the pro rata amount allocable to the Apron Area portion of the Airfield Area, of any expenditures made by County after January 1, 1982, and prior to July 1 of the adjustment year, for Capital Improvements, and financed by County from its own resources. Such annual amortization is to be calculated and based on the economic life for each capital item determined by the County in accordance with generally accepted

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accounting principles at an interest rate equal to the average "Bond Buyer Revenue Bond Index" for the preceding calendar year or, in the event such index is no longer published, at such other rate as determined by the County to be consistent with the provisions of this Agreement. In performing the calculations under this Section 6.05(A), no amortization charges shall be included for the portion of capital expenditures that have been funded with the proceeds of the County Airport System Revenue Bonds, Bonds, grants-in-aid, Passenger Facility Charge proceeds or other securities, the debt service for which has been included in the calculation of rents, fees or charges.

6. The estimated amount of any assessment, judgment, or charge (net of insurance proceeds) to become payable by County relating directly to the Airport System or its operation, allocable to the Apron Area portion of the Airfield Area.

7. Any deficit or credit estimated for operation of the Apron Area portion of the Airfield Area during the then current Fiscal Year or any adjustment carried over from the preceding Fiscal Year to reflect any difference between actual versus estimated expenses.

B. A Preferential Aircraft Parking Position Fee shall then be calculated by dividing the Apron Area Requirement computed pursuant to Section 6.05(A) by the total number of aircraft parking positions. This Preferential Aircraft Parking Position Fee shall be multiplied by the total number of aircraft parking positions assigned to airlines to determine the total annual airline Preferential Aircraft Parking Position Fee. During the term of this Agreement, the average Preferential Aircraft Parking Position Fee shall not be less than Fifteen Thousand Dollars (\$15,000) per Fiscal Year for each aircraft parking position.

**Section 6.06. Calculation of Loading Bridge Use Fee**

A. Each year Director shall calculate the Loading Bridge Use Fee Requirement for the succeeding Fiscal Year by totaling the following amounts, as set forth in County's Airport System Budget:

1. The total of direct and allocated indirect estimated Airport System Maintenance and Operation Expenses allocable to the Loading Bridges.
2. An amount 1.25 times the pro rata portion of Airport System Annual Bond Debt Service, if any, allocable to the Loading Bridges or such other amount as may be required by the Bond Resolution.
3. The pro rata portion of the required repayment of any subordinate security or loans made to the Airport System by County allocable to the Loading Bridges.
4. The pro rata portion of the estimated amount, if any, for required Airport System Bond Fund Deposits allocable to the Loading Bridges.
5. The annual amortization of the total amount, or the pro rata amount allocable to the Loading Bridges, of any expenditures made by County after January 1, 1982, and prior to July 1 of the adjustment year, for Capital Improvements, and financed by County from its own resources. Such annual amortization is to be calculated and based on the economic life for each capital item determined by the Director in accordance with generally accepted accounting principles at an interest rate equal to the average "Bond Buyer Revenue Bond Index" for the preceding calendar year or, in the event such index is no longer published, at such other rate as determined by the County to be consistent with the provisions of this Agreement. In performing the calculations under this Section 6.06(A), no amortization charges shall be included for the portion of capital expenditures that have been funded with the proceeds of the County Airport System Revenue Bonds, Bonds, grants-in-aid, Passenger Facility Charge proceeds

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or other securities, the debt service for which has been included in the calculation of rents, fees or charges.

6. The estimated amount of any assessment, judgment, or charge (net of directly related insurance proceeds) to become payable by County to the Airport system or its operation, allocable to the Loading Bridges.

7. Any deficit or credit estimated for operation of the Loading Bridges during the then-current Fiscal Year or any adjustment carried over from the preceding Fiscal Year to reflect any difference between actual versus estimated expenses.

B. A Loading Bridge Use Fee shall then be calculated by dividing the Loading Bridge Use Fee Requirement computed pursuant to Section 6.06(A) by the total number of Loading Bridges at the Terminal Building. This Loading Bridge Use Fee shall be not less than twelve thousand dollars (\$12,000) per Fiscal Year for each loading bridge provided by the County. This Loading Bridge Use Fee shall be multiplied by the total number of Loading Bridges assigned to airlines to determine the total annual airline Loading Bridge Use Fee.

**Section 6.07. Calculation of Landing Fee Rate**

A. Each year Director shall calculate the Airport System Landing Fee Requirement for the succeeding Fiscal Year by totaling the following amounts, as set forth in County's Airport System Budget.

1. The total of the direct and allocated indirect estimated Maintenance and Operation Expenses of the Airport System.

2. An amount 1.25 times Airport System Annual Bond Debt Service, or such other amount as may be required by the Bond Resolution.

3. The estimated annual amount of repayment of 1) any subordinate security of the Airport System, or 2) loans made to the Airport System by County.

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4. The estimated amount, if any, for required Airport System Bond Fund Deposits.

5. The annual amortization of the total amount of any expenditures made by County after January 1, 1982, and prior to July 1 of the adjustment year, for Airport System Capital Improvements, and financed by County from its own resources. Such annual amortization is to be calculated and based on the economic life for each capital item determined by the County in accordance with generally accepted accounting principles at an interest rate equal to the average "Bond Buyer Revenue Bond Index" for the preceding calendar year or, in the event such index is no longer published, at such other rate as determined by the County to be consistent with the provisions of this Agreement. In performing the calculations under this Section 6.07(A), (i) only interest will be charged for land acquisition, and (ii) no amortization charges shall be included on capital expenditures that have been financed with the proceeds of County Airport System Revenue Bonds, Bonds, grants-in-aid, Passenger Facility Charge proceeds or other securities, the debt service for which has been included in the calculation of rents, fees or charges.

6. The estimated amount of any assessment, judgment, or charge (net of directly related insurance proceeds) to become payable by County relating directly to the Airport System or its operation.

7. Any overpayment or underpayment estimated for operation of the Airport System during the then-current Fiscal Year, or any adjustment carried over from the preceding Fiscal Year, to reflect any difference between actual versus estimated revenues or expenses.

8. An amount equal to ten percent (10%) of all Airport System Revenue derived by County during the then current Fiscal Year from Airport System concessions, rentals, charges and fees from those airlines that are not



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Signatory Airlines and other Airport System tenants and users, excepting only airline Terminal Building rentals, Preferential Aircraft Parking Position Fees, Loading Bridge Use Fees and Landing Fees.

B. The Airport System Landing Fee Requirement for the succeeding Fiscal Year shall be calculated by crediting the following amounts, as set forth in the Airport System Budget for such year, to the Airport System Landing Fee Requirement calculated pursuant to Section 6.07(A).

1. The operating revenue derived by County from Airport System concessions, rentals and fees from non-Signatory Airlines and other tenants, service fees, profits on fuel and petroleum product sales.

2. Available balances in the Prepaid Revenue Account and the unrestricted interest earned by County on the Airport System Maintenance and Operation Fund, Maintenance and Operation Reserve Fund, Bond Reserve Fund, and Renewal and Replacement Fund.

3. The total of all Terminal Building rentals, Preferential Aircraft Parking Position Fees, and Loading Bridge Use Fees paid by the Airlines during the Fiscal Year.

C. The Landing Fee rate for the succeeding Fiscal Year shall be calculated by dividing the Airport System Landing Fee Requirement computed pursuant to Section 6.07(A) and (B) by the composite estimate of the Total Landed Weight of all Signatory Airlines Aircraft Arrivals at an airport in the Airport System for the succeeding Fiscal Year as projected by the Director using, in part, the estimates provided by the Airline pursuant to Section 6.03(A). This Landing Fee rate shall be not less than thirty cents (\$0.30) per one thousand (1,000) pounds of landed weight or Eight Dollars (8.00) per aircraft arrival, whichever is greater.

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**Section 6.08. Extraordinary Adjustments of Landing Fee Rate**

Notwithstanding any other provisions hereof, if, at any time during the term hereof, the revenues of the Airport System are not sufficient to pay, when due, all items included in the reports by County prepared pursuant to this Article 6, or to pay any other cost incidental or necessary to, or arising out of, the operation of the Airport System, including, without limitation, emergency repairs or expenses, the reasonably necessary cost of defending, settling, or satisfying any litigation or threatened litigation that relates to the Airport System, or any aspect thereof, or to compensate for the loss of revenue by reason of any labor dispute, Director may, following notice to and consultation with Airline, increase the Landing Fee to such amount as is sufficient to assure County that all such items, expenses and costs are paid in full, solely from revenues of the Airport System.

**Section 6.09. Special Increases in Landing Fee Rate**

If total Landing Fees of all Signatory Airlines for any quarter vary by more than ten percent (10%) from the projected total Landing Fees for such quarter, the Landing Fee rate shall, if deemed necessary by Director, be adjusted for the balance of such Fiscal Year by an amount equal to the difference between projected and actual total Landing Fees divided by the estimated Total Landed Weight of all Signatory Airlines during the balance of such Fiscal Year.

ARTICLE 7

**BOND RESOLUTION AND FLOW OF FUNDS**

**Section 7.01. Subordination of Agreement to Bond Resolution**

A. This Agreement and all rights of Airline hereunder are expressly subordinated and subject to the lien and provisions of any pledge, transfer, hypothecation, or assignment made at any time by County pursuant to the terms, covenants, and conditions of present and future Bond Resolutions.

B. In conflicts between this Agreement and any Bond Resolution, the Bond Resolution shall govern.

C. All those terms that are not specifically defined herein are to have the same definition as set forth in the Bond Resolution.

D. Any future Bond Resolution adopted by County shall conform to revenue financing requirements of the then current bond market and to generally accepted airport industry practices. County shall provide Airline a reasonable opportunity to review and comment upon any such Bond Resolution prior to its adoption.

**Section 7.02. Flow of Funds**

A. Subject to the terms and provisions of the Bond Resolution and other related instruments, it is mutually understood and agreed that, as long as any Bonds secured by the Bond Resolution are outstanding, all Airport System Revenue shall be deposited, maintained and paid as set forth in the Bond Resolution.

B. Revenues derived from the Airport System in each Fiscal Year shall be deposited in the Revenue Fund and used and applied in the following priority:

1. To the Maintenance and Operation Fund such amounts as are required by the County for the payment of budgeted Maintenance and Operation

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Expenses at the times such amounts are required. All money in the Maintenance and Operation Fund shall be used only to pay Maintenance and Operation Expenses.

2. To the Interest Fund at the times required by any Bond Resolution an amount of money equal to the aggregate amount required by each Bond Resolution. All money in the Interest Fund shall be used solely for the purpose of paying the interest on the Bonds.

3. To the Principal Fund at the times required by any Bond Resolution an amount of money equal to the aggregate amount required. All money in the Principal Fund shall be used for the purpose of paying the principal of, and any redemption premiums on, the Bonds.

4. To the Bond Reserve Fund such amount of money as shall be required by the Bond Resolution to restore the Bond Reserve Fund to an amount equal to Maximum Annual Debt Service. All money in the Bond Reserve Fund shall be used for the purpose of making up any deficiency in the Interest Fund or the Principal Fund to the extent that money on deposit in such funds is insufficient to pay interest or principal on Bonds.

5. To the Maintenance and Operation Reserve Fund such amount as is required to maintain in such fund a balance equal to one-fourth the amount in the County's annual Budget for Maintenance and Operating Expenses for such Fiscal year. All amounts in the Maintenance and Operation Reserve Fund shall be used to pay Maintenance and Operation Expenses to the extent that money on deposit in the Maintenance and Operation Fund is insufficient to pay budgeted Maintenance and Operation Expenses.

6. To the Subordinate Securities Fund the amounts required at the times required by any outstanding loans (including loans from the County) or obligations of the Airport System payable from Net Revenues. All money in the Subordinate

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Securities Fund shall be used for the purpose of paying required interest and principal due on such obligations or loans payable from Net Revenues.

7. To the Renewal and Replacement Fund the annual amount required to maintain in such fund a balance of at least one million dollars (\$1,000,000). The required balance in the Renewal and Replacement Fund may be increased at any time by the Director. All money in the Renewal and Replacement Fund shall be used for the purpose of payment of costs of unanticipated or emergency repairs and emergency replacements to the Airport System.

8. To the Capital Improvement Fund all remaining amounts in the Revenue Fund. All money in the Capital Improvement Fund shall be transferred to (a) the Prepaid Revenue Account and, (b) the Capital Improvement Account.

a. To the Prepaid Revenue Account an amount equal to Coverage on Annual Bond Debt Service funded through airline rents and fees together with other amounts (if any) that the County may deposit to the Prepaid Revenue Account. In the calculation of Landing Fees, the entire balance available in the Prepaid Revenue Account shall be credited to reduce the Airport System Landing Fee Requirement.

b. To the Capital Improvement Account all remaining amounts in the Capital Improvement Fund. Amounts in the Capital Improvement Account may be used to pay the costs of constructing or otherwise acquiring any enlargements, extensions of, or any other improvements to the Airport System.

**Section 7.03. Tax Matters**

Airline hereby makes an irrevocable election not to claim depreciation or an investment credit with respect to the property leased by County to Airline under this Agreement. Such election shall be binding upon all successors in interest to Airline under this Agreement.

Airline and County represent and acknowledge that the term of this Agreement (as defined in

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Section 168(i)(3) of the Internal Revenue Code) is not more than eighty percent (80%) of the reasonably expected economic life of the property (as determined under Section 147(b) of the Internal Revenue Code) leased by County to Airline under this Agreement.

ARTICLE 8

MAINTENANCE, REPAIR, ALTERATIONS AND IMPROVEMENTS

**Section 8.01. Airline's Responsibilities**

It is understood and agreed that Airline and County shall have the following maintenance and repair obligations:

A. Airline agrees that by commencing occupancy of all Exclusive Use and Preferential Use Space assigned to it pursuant to this Agreement, Airline is representing that such space is in good and tenantable condition.

B. Airline shall at its sole expense and in a manner acceptable to Director:

1. Maintain its Exclusive Use Space in the condition prevailing in first class office space.

2. Maintain its Preferential Aircraft Parking Position(s) in a neat, clean and orderly condition, free from litter, debris, refuse, petroleum products or grease which result from the activities of its officers, representatives, agents, employees, passengers, guests, patrons, contractors, subcontractors, licensees, subtenants, invitees, or suppliers; and remove all oil and grease spillage that is attributable to Airline's aircraft or equipment from its Preferential Aircraft Parking Position(s).

3. Perform ordinary preventive maintenance and upkeep and nonstructural repair of all facilities located in Exclusive Use Space which is not a Public View Area.

4. Immediately repair any damage in any other space at the Airport caused by Airline, its officers, representatives, agents, employees, passengers, guests, patrons, contractors, subcontractors, licensees, subtenants, invitees, or suppliers.

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C. After reasonable notice, County may, at the sole discretion of the Director, provide any or all of the above delineated maintenance and repair obligations and recover its entire cost plus a reasonable administrative charge from Airline as Additional Rent.

**Section 8.02. County's Responsibilities**

A. County, during the term of this Agreement, shall retain FAA Airport Certification and keep the Airport in reasonably good repair.

B. County shall equip, furnish, and decorate the Public View Areas, including holdroom furnishings and cabinetry and shelves but excluding Airline's computer equipment, stanchions, back walls, or drawer inserts, of the Terminal Building.

C. County shall maintain the Public View Areas, including holdroom furnishings and cabinetry and shelves but excluding Airline's computer equipment, stanchions, back walls, or drawer inserts, of the Terminal Building.

D. County shall provide and supply to the Public View Areas of the Terminal Building heat, electricity, light, air conditioning, wastewater disposal, water, and janitorial services, including rubbish removal. Interruptions of services shall not constitute a breach of this Agreement by County, but County shall use its best efforts to restore such service after interruption.

E. Likewise, County shall provide and supply to Airline's Exclusive Use Space heat, electricity, light, air conditioning, wastewater disposal, water, and rubbish removal. Interruptions of services shall not constitute a breach of this Agreement by County, but County shall use its best efforts to restore such service after interruption.

F. The undertakings by County under this Section 8.02 do not relieve Airline of its duties to maintain any leased facilities and to use Joint Use facilities with due care.

**Section 8.03. County's Right to Inspect and Make Repairs**

County, by its officers, employees, agents, contractors, subcontractors and other representatives, shall have the right (at such times as may be reasonable under the



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circumstances and with as little interruption of Airline's operations as is reasonably practicable) to enter Airline's Exclusive Use Space, Preferential Use Space and Joint Use Space for the following purposes:

A. To inspect such space to determine whether Airline has complied and is complying with the terms and conditions of this Agreement.

B. To accomplish repairs or replacements by County required of County by Section 8.02, or in any case where Airline is obligated to make repairs or replacements and has failed to do so, after reasonable notice, make such repairs or replacements on Airline's behalf.

C. In the exercise of County's police powers, no such entry by or on behalf of County upon any Exclusive Use Space, Preferential Use Space and Joint Use Space leased to Airline shall be deemed to constitute an interference with the possession and quiet enjoyment thereof by Airline.

**Section 8.04. Alterations and Improvements**

Airline shall make no alterations, additions, improvements to, or installations on, the space leased under this Agreement without the prior written approval of Director. Airline shall be financially responsible for damage to the Terminal Building caused by Airline, its officers, representatives, agents, employees, passengers, guests, patrons, contractors, subcontractors, licensees, subtenants, invitees, or suppliers in the event that Airline does make any Director approved alterations, additions, improvements to, or installations. If the County repairs such damage on Airline's behalf, then the County may recover its entire cost plus a reasonable administrative charge from Airline as Additional Rent.

**ARTICLE 9**

**DAMAGE OR DESTRUCTION, INSURANCE,  
INDEMNIFICATION AND RELEASE OF LIABILITY**

**Section 9.01. Damage or Destruction**

A. If the Exclusive Use Space, Preferential Use Space or Joint Use Space, or any portions thereof, or buildings or structures of which such space may be a part, are damaged by fire or other casualty, County shall notify Airline whether the space shall be repaired. If the space is to be repaired, it shall be repaired with due diligence by County, and the rental allocable to the particular building, rooms, or other portion of the space rendered untenable, for the period from the occurrence of the damage to the completion of the repairs, shall be abated. County shall exert its best effort to provide Airline with temporary substitute space, if available, at such rent as is deemed necessary and reasonable by Director, until such time as the repairs are completed.

B. If County fails to notify Airline of its decision within sixty (60) calendar days after destruction, County shall be deemed to have elected to terminate this Agreement as to the space damaged or destroyed, and this Agreement shall automatically terminate as to such space as of the date of the damage.

**Section 9.02. Insurance**

A. Without limiting Airline's indemnification, throughout the term of this Agreement, Airline shall maintain in full force and effect the forms of insurance specified by Section 9.02 (B), (C), (D), (E), (F), (G), and (H).

All such insurance hereunder shall be maintained with insurance underwriters who have a Best's rating or equivalent of A:X or who have been approved by the Director.

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All liability insurance policies shall provide coverage which includes, or has the same substantive effect as, the following wording:

1. "The County of Sacramento and each of its officers, agents, elected representatives, volunteers, and employees, in their respective capacities as such, shall be additional insureds hereunder with respect to the products, premises and operations of the named insured to the extent of the named insured's obligations under its Operating Agreement and Terminal Building Lease with the County of Sacramento."

2. "It is agreed that this insurance policy shall apply as primary and any insurance and/or self-insurance as may be maintained by the County of Sacramento or its officers, agents, elected representatives, volunteers, and employees shall apply in excess of and shall not contribute with insurance provided by this policy."

3. "This insurance shall not be materially changed, altered, canceled or non-renewed until after thirty (30) days advance written notice has been given to the County of Sacramento except that only ten (10) day notice shall be required in the event of cancellation due to non-payment of premium."

At least ten (10) calendar days prior to the effective date of this Agreement, Airline shall furnish County with evidence of all insurance policies negotiated. Prior to the expiration of any then-current policy of insurance, Airline shall deliver to County evidence showing that such insurance coverage has been renewed. At least five (5) calendar days prior to the date of cancellation or reduction of coverage, as received in the written notice from the insurer, Airline shall deliver to Director evidence showing reinstatement or other provision for the required insurance.

All such evidence shall be in the form of certificates of insurance satisfactory to Director, accompanied by a certified true copy of an endorsement

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to each policy containing the language required by Section 9.02 (A) (1), (2), (3) and, if applicable, cross-liability coverage.

B. Aircraft liability insurance and comprehensive form general liability insurance, covering bodily injury, personal injury, property damage, cross-liability, products/completed operations liability, premise liability, and contractual liability specifying this Agreement, with a liability limit of not less than three hundred million dollars (\$300,000,000) combined single limit per occurrence, on occurrence form policy. Said limit shall be reduced to \$150,000,000 where Airline's maximum seating capacity on any airplane operated by Airline is thirty (30) or less. With respect to coverage for products/completed operations and personal injury, except with respect to passengers, a sublimit of not less than twenty five million dollars (\$25,000,000) per occurrence, and in the annual aggregate, shall be permitted with the approval of the Director. Said aircraft liability shall be applicable to owned, non-owned, and hired aircraft.

C. Automobile liability insurance with a liability limit of not less than five million dollars (\$5,000,000) for all owned, non-owned, and hired vehicles operated by or on behalf of Airline on the lease space, or elsewhere at the Airport, including any additional or replacement vehicles.

D. Liquor liability insurance for Airline serving alcoholic beverages in an amount not less than ten million dollars (\$10,000,000) per occurrence.

E. Hangarkeepers liability insurance or other appropriate insurance in an amount adequate to cover any aircraft or non-owned property in the care, custody and control of Airline at the Airport, but in any event in an amount not less than five million dollars (\$5,000,000) per occurrence.

F. Employer's liability insurance in an amount not less than one million dollars (\$1,000,000) per occurrence.

G. Airline shall likewise maintain workers' compensation insurance or evidence of self-insurance, in accordance with the laws of the State of California,

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covering all its employees who may from time to time be at the Airport in such capacity. Airline shall require each of its agents, licensees, subcontractors, and suppliers of the leased premises to maintain such workers' compensation insurance covering their employees coming on Airport premises in connection with Airline's operations hereunder. The workers' compensation policy(s) required hereunder shall be endorsed to state that the workers' compensation carrier waives its right of subrogation against the County, its officers, agents, elected representatives, volunteers, and employees. Upon request by Director, Airline shall furnish Director with evidence of such workers' compensation insurance in a form acceptable to County.

H. Environmental/Pollution Liability insurance with a limit of not less than five million dollars (\$5,000,000) including coverage for Third Party Pollution Liability, Remediation coverage, and offsite cleanup. Satisfaction of the requirement for Environmental/Pollution Liability may be made by securing a policy of insurance for this coverage or providing to the County a letter on company letterhead stating that Airline is self-insured for this coverage.

I. The parties understand and agree that the minimum limits of the insurance herein required may become inadequate during the term of this Agreement, and Airline and County agree that each will increase such minimum limits by reasonable amounts on request of Director with concurrence of County Risk Manager.

J. If at any time Airline fails to obtain or maintain in force the insurance required herein, such failure shall constitute an incurable default permitting County, at its option, to immediately terminate this Agreement and take possession upon giving the notice specified in Section 13.03, but without giving any prior notice of default pursuant to Section 13.01, and County shall have all available remedies specified in Section 13.02 or permitted by law. Under this provisions, County does not have to wait until the expiration of the fifteen (15) day notice period as stated in Section 13.03, but upon

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providing written notification, can immediately take possession and terminate the agreement.

K. If any claim for damages is filed with Airline or if any lawsuit is instituted against Airline, Airline shall give prompt and timely notice thereof to Director, provided that claims and lawsuits subject to such notice are only those that arise out of or are in any way connected with Airline's or its officers', representatives', agents', employees', passengers', guests', patrons', contractors', subcontractors', licensees', subtenants', invitees', or suppliers' use of the leased premises or Airline's operations or activities in regard to the Airport or Airport System and that in any way, directly or indirectly, contingently or otherwise, affect or might reasonably affect County. Notice shall be deemed prompt and timely if given within thirty (30) calendar days following the date of receipt of a claim or ten (10) calendar days following the date of service of process of a lawsuit. Accident or property damage claims in an amount less than one thousand dollars (\$1,000) shall be excluded from the requirements of this Section 9.02(J).

L. If any claim for damages is filed with County or if any lawsuit is instituted against County, County shall give prompt and timely notice thereof to Airline, provided that claims and lawsuits subject to such notice are only those that arise out of or are in any way connected with the operation of the Airport or Airport System by County and that in any way, directly or indirectly, contingently or otherwise, affect or might reasonably affect Airline. Notice shall be deemed prompt and timely if given within thirty (30) calendar days following the date of receipt of a claim or ten (10) calendar days following the date of service of process of a lawsuit. Accident or property damage claims in an amount less than one thousand dollars (\$1,000) shall be excluded from the requirements of this Section 9.02(K).

M. The time limitations set forth in Section 9.02(J) and 9.02(K) are directory. If the notice required to be given by these Sections 9.02(J) and 9.02(K) is not given within the time limitations set forth therein, then the party giving the notice shall not be

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precluded from establishing that the notice actually given was timely under the circumstances of the particular claim or lawsuit, unless by the failure to give such notice within the applicable time period, the other party has been prejudiced in its ability to consider such claim or to respond to, or properly defend, such lawsuit. If the other party is so prejudiced by a late notice, then the late notice shall not be deemed to be prompt and timely.

**Section 9.03. Indemnification**

Airline shall indemnify, defend and hold harmless County and its elected representatives, officers, volunteers, agents and employees from and against all liabilities, losses, costs, suits, claims, judgments, expenses, fines or demands of any kind (including, but not limited to, costs of investigation, attorney fees, court costs and expert fees) resulting from any injury, damage or death to any person or property, of any nature whatsoever, arising out of or alleged to arise out of the use, occupancy or operations of Airline, or any of its officers, volunteers, representatives, agents, employees, contractors, subcontractors, licensees, subtenants, invitees, or suppliers, at the Airport or within the Airport System. Airline shall not be liable for any injuries, death or damage to the extent that such injury, death or damage is caused by the negligence or willful misconduct of County, its elected representatives, officers, volunteers, agents or employees. It is the intent of the parties that, where the negligence or willful misconduct of the County, its elected representatives, officers, agents or employees, is determined to have been contributory, the principles of comparative negligence as applied in the State of California shall be followed and each party shall bear the proportionate cost of any loss, damage or liability attributable to its own negligence or misconduct. This Section 9.03 shall survive the termination or expiration of this Agreement.

**Section 9.04. Release of Liability Regarding Certain Damages**

A. County shall not be liable for, and is hereby released from, all liability to Airline, Airline's insurance carrier, or anyone claiming under or through Airline for bodily injury or any loss or damage to real or personal property occasioned by flood, fire, earthquake, lightning, windstorm, hail, explosion, riot, strike, civil commotion, military confrontation, smoke, vandalism, malicious mischief, acts of civil disobedience, acts of civil authority or any other cause beyond County's control.

B. County shall not be liable for, and is hereby released from all liability to Airline, Airline's insurance carrier, or anyone claiming under or through Airline for any loss or damage whatsoever to the property or effects of Airline resulting from the discharge of water or other substances from pipes, sprinklers, or conduits, containers or appurtenances thereof or fixtures thereto, or for any damage resulting from the discharge or failure of electric current, regardless of cause or origin, except for such damage as may be caused by reason of the sole active negligence of County, its employees or agents.

C. The provisions of this Section 9.04 shall not be construed as a limitation of County's rights pursuant to Section 9.03, but are additional to the rights and exclusions from liability provided in Section 9.03.



**ARTICLE 10**

**ASSIGNMENT, SUBLEASE, REASSIGNMENT, MERGER, BANKRUPTCY**

**Section 10.01      Assignment and Sublease**

Airline shall not at any time sublet, assign, transfer, convey, mortgage, pledge, or encumber its interest under this Agreement, or any part of the leased space, to any party other than a wholly owned subsidiary of Airline, or corporation with which Airline may merge or consolidate, without prior written approval of Director. Any such attempt to sublet, assign, or transfer in violation of the provisions hereof shall be null and void and considered a default hereunder. No sublease, assignment, transfer, conveyance, mortgage, pledge or encumbrance by Airline shall relieve Airline of its primary responsibility for all payments and performance of all other obligations required of Airline by this Agreement. Consent by County to any type of sublease, assignment, transfer, conveyance, mortgage, pledge or encumbrance shall not in any way be construed to relieve Airline from obtaining further consent for any subsequent sublease, assignment, transfer, conveyance, mortgage, pledge or encumbrance of any nature whatsoever.

**Section 10.02. Bankruptcy**

Section 10.01 shall not apply to any valid assumption or assignment of this Agreement, the leased space, or any part thereof, by a trustee, or Airline as a debtor in possession under Section 365 of the Bankruptcy Code of 1978, as amended, provided that adequate assurance of future performance as provided by Section 365 of the Bankruptcy Code of 1978, as amended, for the purposes of the assumption or assignment of this Agreement, shall include, but shall not be limited to:

- A. Adequate assurance of the reliability of the proposed source for the rentals due under this Agreement on the assumption or assignment of this Agreement.
- B. Adequate assurance that all other consideration due under this Agreement shall be forthcoming after the assumption or assignment of this Agreement.

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C. The procurement of a bond from a financially reputable surety covering any costs or damages incurred by County in the event that County, within one (1) year following the assumption or assignment of this Agreement, exercises any right to reassign the leased space covered by this Agreement as permitted by Sections 3.04, 3.05 and 3.06.

**ARTICLE 11**

**RULES AND REGULATIONS, COMPLIANCE WITH LAW,  
NONDISCRIMINATION**

**Section 11.01. Rules and Regulations**

A. Airline shall observe and obey all Rules and Regulations. County agrees that its Rules and Regulations shall not be inconsistent with the express terms of this Agreement or any applicable regulation or directive of the FAA or of any other federal or State agency. Copies of the Rules and Regulations, as promulgated, shall be forwarded to Airline's local manager.

B. Airline shall take all reasonably necessary steps to ensure that its officers, agents, employees, representatives, contractors, subcontractors, licensees or invitees fully comply with all Rules and Regulations.

C. County shall prescribe penalties and injunctive remedies for violations of the Rules and Regulations, and these penalties and injunctive remedies may be applied by Director to Airline for violations by any of Airline's officers, representatives, agents, employees, passengers, guests, patrons, contractors, subcontractors, licensees, subtenants, invitees, or suppliers.

**Section 11.02. Compliance with Law**

Airline shall not, in connection with any of its activities or operations, use any of the Airport's facilities or permit the same to be used by any of its officers, representatives, agents, employees, contractors, subcontractors, licensees, subtenants, invitees, or suppliers for any illegal purpose and shall:

A. Comply with all applicable ordinances, laws, and rules and regulations of any city, county, state, federal government or agency that has jurisdiction to pass laws or

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ordinances or to make and enforce rules and regulations governing conduct on and operations at the Airport and the use of its facilities.

B. Strictly comply with future FAA regulations concerning Airport security, including those set forth in FAR Parts 107 and 108, and any directives issued by the Director relating to Airport security.

C. Make, at its own expense, all nonstructural improvements, repairs and alterations to its Exclusive Use Space, Preferential Use Space, equipment, and personal property that are required to comply with or conform to any of such laws, ordinances, and rules and regulations referred to in Section 11.02(A) or (B).

D. Reimburse County for a pro rata portion of all nonstructural improvements, repairs and alterations that are required to comply with or conform to any of such laws, ordinances and rules and regulations referred to in Section 11.02(A) or (B).

E. Be and remain an independent contractor with respect to all installations, construction and services performed hereunder by or at the request of County.

**Section 11.03. Amendment Required by FAA**

This Agreement may be amended without further consideration for the purpose of complying with FAA requirements.

**Section 11.04. Assurances Required By FAA**

Those certain seventeen (17) provisions set forth within Section "B," "Assurances," of Exhibit "E," "Assurances Required by the Federal Aviation Administration," attached hereto and made a part hereof, are those specific provisions required by the FAA to be appropriately included within all agreements (including, without limitation, leases, licenses, permits, and contracts) between County and any and all persons and/or entities who use or perform work or conduct activities on County-owned Airport premises for aeronautical or non-aeronautical purposes. Airline, by its signature(s) hereunto affixed, acknowledges that it has reviewed the

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aforesaid Exhibit, in its entirety, and fully understands the meaning, purpose, and intent thereof.

Airline expressly agrees that, throughout the life hereof, it shall fully and faithfully comply with, abide by and/or adhere to, as applicable and appropriate, each and every one of the numbered provisions contained with Section "B," "Assurances," of said Exhibit (as said numbered provisions are reflected therein or as same may be amended, from time to time, during the life hereof, by County, as and when the FAA's requirements thereon imposed may so dictate), which, pursuant to the guidelines established within paragraphs 2 through 4 of Section "A" of said Exhibit, shall either be applicable to Airline on the start date of the term hereof or which, as a result of changing facts and/or circumstances, shall subsequently become applicable to Airline hereunder, during the life hereof.

ARTICLE 12

COVENANT NOT TO GRANT MORE FAVORABLE TERMS

Section 12.01. Covenant Not to Grant More Favorable Terms

A. County covenants and agrees not to enter into any lease, contract or any other agreement with any other Air Transportation entity containing substantially more favorable terms than this Agreement, or to grant to any tenant engaged in Air Transportation, rights or privileges with respect to the Airport that are not accorded Airline hereunder, unless the same rights, terms and privileges are concurrently made available to Airline. This covenant shall not extend to any airline operating only aircraft of less than fifty thousand (50,000) pounds Maximum Gross Landing Weight.

B. If any other Air Transportation entity shall undertake any operations at the Airport for the carriage of passengers, baggage, cargo or mail by air, County shall require, to the extent legally permissible, such other aircraft operator to execute and deliver an agreement, permit, license, lease or contract with County providing for:

1. The payment of Landing Fees at rates and on such other terms and conditions as are not less burdensome on the other Air Transportation entity than those rates or terms and conditions then in effect for Airline.
2. The payment of rentals for aircraft parking and the use of County equipment and for any space leased from County in the Terminal Building at rates not less than those rental rates then payable by Airline for similar facilities.
3. The payment for use by such other Air Transportation entity of all Joint Use Space and operating costs of all baggage handling or other passenger service systems, calculated and billed to such entity as in the case of Airline.

ARTICLE 13

DEFAULT AND TERMINATION

**Section 13.01. Airlines Default and Default Notices**

A. The following shall be "events of default" under this Agreement constituting a material breach of the Agreement and the terms "events of default" and "default" shall mean, whenever they are used in this Agreement, any one of the following events:

1. If the rentals and fees, Passenger Facility Charge proceeds or reports required pursuant to DOT Part 158, or other money payments that Airline herein agrees to pay, or any part hereof, shall be unpaid on the date the same becomes due.
2. If Airline files a voluntary petition in bankruptcy, or makes a general assignment for the benefit of creditors, or if Airline is adjudicated as bankrupt.
3. The taking of jurisdiction of Airline or its assets by a court of competent jurisdiction pursuant to proceedings brought under the provisions of any federal reorganization act.
4. The appointment of a receiver or a trustee of Airline's assets by a court of competent jurisdiction or a voluntary agreement with Airline's creditors, and the same is not removed within ninety (90) calendar days from the date of such appointment.
5. If a custodian is appointed for or takes possession of Airline's property, other than a trustee receiver or agent who is appointed or authorized to take charge of less than substantially all of Airline's property for the purpose of enforcing a lien against such property. For this purpose, "custodian" means one of the following:

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a. A receiver or trustee of any of Airline's property, appointed in any case or proceeding other than a case or proceeding under the federal Bankruptcy Code, as amended.

b. An assignee under a general assignment for the benefit of Airline's creditors.

c. A trustee, receiver or agent under applicable law, or under a contract, who is appointed or authorized to take charge of Airline's property for the purpose of enforcing a lien against such property, or for the purpose of the general administration of such property for the benefit of Airline's creditors.

6. If any act occurs that permanently deprives Airline of the rights, power and privileges necessary for the proper conduct and operation of its Air Transportation business.

7. If Airline abandons and fails to use its Exclusive Use Space or Preferential Use Space for a period of thirty (30) calendar days at any one time, except when such abandonment and cessation are due to fire, earthquake, strike, governmental action, or acts, omissions or default of County, or other cause beyond Airline's control.

8. If Airline uses or permits the use of its Exclusive Use Space or Preferential Use Space at any time for any purpose for which the use thereof at that time is not authorized by this Agreement, or by a subsequent written agreement between the parties, or permits the use thereof in violation of any law, rule or regulation to which Airline has agreed in this Agreement to perform.

9. If Airline discontinues Air Transportation to the Airport as a consequence of Airline's filing a bankruptcy petition, voluntary or involuntary, seeking a reorganization or readjustment of its indebtedness under the federal bankruptcy laws or under any other statute of the United States or any state



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thereof or being adjudged bankrupt, Airline shall be deemed to have forfeited its leasehold space.

10. If Airline fails to operate at least five (5) weekly scheduled passenger service departures from the Airport, for a period of ninety (90) calendar days or more (except by reason of strikes or causes beyond the control of Airline).

11. If Airline is in violation of any material provision of this Agreement.

B. Prior to pursuing any remedy for a curable default by Airline, County shall, before pursuing any remedy, give notice of such default to Airline and an opportunity to cure the default. Each notice of default shall specify the alleged event of default and the intended remedy.

C. If the alleged default is nonpayment of rent, fees or other sums to be paid by Airline to County, Airline shall have thirty (30) calendar days after notice is given to cure the default. For the cure of any other default, Airline shall promptly and diligently, after notice, commence curing the default and shall have thirty (30) calendar days after notice is given to complete the cure or, in the case of a failure or omission that cannot be cured by the payment of money and cannot be cured within thirty (30) calendar days, such additional time as the parties may agree thereto. If the default is not curable, County may immediately terminate this Agreement, without giving any prior notice of default and/or pursue any remedy specified in Section 13.02 or as provided by law.

**Section 13.02. County's Remedies**

If any default by Airline shall continue uncured following notice of default for the period applicable to the default under the provisions of this Agreement, or if the default is not curable, County shall have the following remedies:

A. County may, at its election, terminate this Agreement by giving Airline notice of termination. No acts by County other than giving written notice to Airline shall

terminate this Agreement. Acts of maintenance and efforts to relet, assign, reassign, allocate, reallocate, or relocate the premises shall not constitute a termination of Airline's right to possession. On the giving of the notice, all Airline's rights in the premises and in all improvements shall terminate. Termination under this Section 13.02(A) shall not relieve Airline from the payment of any sum then due County or from any claim for damages previously accrued or then accruing against Airline.

B. County may, at its election, reenter the premises by giving Airline notice of such election and, without terminating this Agreement, County may at any time relet the premises and improvements or any parts thereof for the account and in the name of Airline or otherwise. County may execute any agreements made under this provision either in County's name or in Airline's name and shall be entitled to all rents from the use, operation or occupancy of the premises or improvements or both. Airline shall nevertheless pay to County, on the due date specified in this Agreement, the equivalent of all sums required of Airline under this Agreement, plus County's expenses, less the avails of any reletting or attornment.

In addition to all other rights and remedies it may have, County shall have all of the rights and remedies of a landlord under Section 1951.4 of the California Civil Code. County may do all things reasonably necessary for such reletting, including repairing, remodeling and renovating of the premises or improvements, to return them to their original condition and Airline shall reimburse County on demand for all costs incurred by County in connection therewith. If County relets the premises, it shall apply any sums received upon such reletting in the following order of priority:

1. To the payment of any indebtedness from Airline to County other than rent due hereunder from Airline;
2. To the payment of all costs incurred by County in restoring the premises to good order and repair, or in remodeling, renovating or otherwise preparing the premises for reletting;

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3. To the payment of all costs incurred by County in reletting the premises;

4. To the payment of rent, fees or money payments due and unpaid hereunder; and

5. The balance, if any, to the payment of future rents, fees or money payments as the same may become due hereunder.

No such reentry of the premises, or any improvements thereon by County, shall be construed as an election on the part of County to terminate this Agreement unless a written notice of such intention to terminate is given to Airline.

Notwithstanding any election by County not to terminate this Agreement, County may at any time thereafter elect to terminate this Agreement for any previous breach or default hereunder by Airline which remains uncured or for any subsequent breach or default.

C. County shall be entitled at its election to damages and shall have all the remedies available by law.

**Section 13.03. Possession by County**

When giving notice of termination or notice of election to reenter the premises, County may take possession upon fifteen (15) calendar days notice or such later date as may be specified in such notice.

**Section 13.04. No Remedy Exclusive**

No remedy conferred herein upon or reserved to County is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from

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time to time and as often as may be deemed expedient. In order to entitle County to exercise any remedy reserved to it in this Agreement, it shall not be necessary to give any notice, other than such notice as may be required in this Agreement or by law.

**Section 13.05. Waiver and Voluntary Acts**

No waiver of any breach or default shall constitute a waiver of any other breach or default, whether of the same or any other term, agreement or condition. No waiver, benefit, privilege or service voluntarily given or performed by either party shall give the other any contractual right by custom, estoppel or otherwise. The subsequent acceptance of rent, fees or other money payments pursuant to this Agreement shall not constitute a waiver of any preceding breach or default by Airline other than default in the payment of the particular rental payment so accepted regardless of County's knowledge of the preceding breach at the time of accepting this payment. Acceptance of rent, fees or other money payments after termination shall not constitute a reinstatement, extension or renewal of the Agreement or revocation of any notice or other act by County.

**Section 13.06. Additional Remedy in Bankruptcy**

The parties hereto expressly agree, notwithstanding anything in this Agreement to the contrary, that in the event that Airline becomes a debtor under any chapter of the Bankruptcy Code and this Agreement has not been terminated prior to the commencement of Airline's bankruptcy proceedings, all rents, fees and charges payable by Airline to, or on behalf of, County hereunder, whether or not expressly denominated as rent, shall constitute rent solely for the purposes of calculating County's damage pursuant to 11 U.S.C. Section 502(b)(6) or any similar provision of the Bankruptcy Code, in the event that this Agreement is rejected in such bankruptcy proceeding.

**Section 13.07. Events Permitting Termination of Agreement by Airline**

If County is in default of any material portion of this Agreement, Airline may terminate this Agreement and terminate all of its future obligations hereunder at any time that Airline is

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not in default in its payments or other obligations to County hereunder, and such default continues for a period of sixty (60) calendar days after receipt of written notice of such default from Airline.

ARTICLE 14

NOTICES

Section 14.01.Delivery of Notices

A. Notices required herein shall be in writing and served personally, sent by certified mail, return receipt requested or postage prepaid or facsimile. Any notice mailed pursuant to this Section 14.01(A) shall be presumed to have been received by the addressee seven (7) business days after deposit of same in the mail. Either party shall have the right, by giving written notice to the other or to change the address or facsimile number at which its notices are to be received. Until any such change is made, notices shall be addressed and delivered as follows:

1. When to County:

Director of Airports  
Department of Airports  
County of Sacramento  
6900 Airport Boulevard  
Sacramento, CA 95837-1109

2. When to Airline:

Mr. Michael Wright, General Manager, Corporate Affairs  
Delta Air Lines  
1030 Delta Boulevard  
Hartsfield Atlanta International Airport  
Atlanta, GA 30320

In addition, as a courtesy notices may also be sent by facsimile at the following facsimile numbers:

1. When to County: (916) 874-0636

2. When to Airline: (404) 715-2548

B. If notice is given in any other manner or at any other place, it will also be given at the place and in the manner specified in Section 14.01(A).

**ARTICLE 15**

**MISCELLANEOUS**

**Section 15.01. Successors and Assigns Bound**

This Agreement shall be binding on and inure to the benefit of the successors and assigns of the parties hereto.

**Section 15.02. Governing Law**

This Agreement and all disputes arising hereunder shall be governed by the laws of the State of California. Venue for any litigation regarding any matter related to this Agreement shall be in a State Superior Court or federal District Court located in Sacramento California. In the event of a dispute between the parties hereto as to the language of this Agreement or the construction or meaning of any term hereof, this Agreement shall be deemed to have been drafted by the parties in equal parts so that no presumptions or inferences concerning its terms or interpretation may be construed against any party to the Agreement.

**Section 15.03. Noninterference with Operation of the Airport System Airports**

Airline, by accepting this Agreement, expressly agrees for itself, its successors and assigns that it will not make use of the leased premises in any manner that might interfere with the landing and taking off of aircraft at any of the airports in the Airport System or otherwise constitute a hazard. In the event the aforesaid covenant is breached, upon reasonable notice to airline and opportunity to cure, County reserves the right to enter into the premises hereby leased and cause the abatement of such interference at the expense of Airline.

County shall maintain and keep in reasonably good repair the Airport landing areas, including taxiways, and shall have the right to direct and control all activities of Airline in this regard.

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**Section 15.04.      Quiet Enjoyment**

Airline shall, upon payment of the rentals and fees as herein required, and subject to performance and compliance by Airline of the covenants, conditions and agreements on the part of Airline to be performed and complied with hereunder, peaceably have and enjoy the rights, uses and privileges of the Airport, its appurtenances and facilities as granted hereby and by the Rules and Regulations.

**Section 15.05.      Taxes**

A.      Under this Agreement, a possessory interest subject to property taxation may be created. Notice is hereby given pursuant to California Revenue and Taxation Code, Section 107.6, and Government Code Section 53340.1, that Airline's interest may be subject to property taxation and special taxation pursuant to Chapter 2.5, Division 2 of the Government Code (Mello Roos Community Facilities Act of 1982) and that Airline may be subject to the payment of property taxes and special taxation levied on such interest. Airline shall pay, but such payment shall not be considered part of Airport System Revenue, all taxes (including any possessory interest tax), assessments and charges of whatever character which at any time during the term of this Agreement may be levied against Airline or become a lien by virtue of any levy, assessment or charge against Airline by federal, State and any other public agency, including the County, with respect to: (1) any of the space leased under this Agreement or such facilities of the Airport as are made available for use by Airline hereunder; (2) any personal property belonging to Airline situated on the space leased under this Agreement; or (3) Airline's leasehold improvements or operations hereunder. Payment of any such taxes, assessments and charges, shall be made by Airline directly to the taxing or assessing authority charged with collection thereof.

B.      Airline may, at its own expense, contest the amount or validity of any tax or assessment, or the inclusion of the space leased under this Agreement as taxable or assessable property, directly against the taxing or assessing authority. Airline shall indemnify and hold



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County harmless from all taxes, penalties, costs, expenses and attorney fees incurred by County resulting directly or indirectly from all such tax contests.

C. On any termination of this Agreement, all lawful taxes then levied and all liens upon any such property or taxable interest therein shall be paid in full by Airline forthwith, or as soon as a statement thereof has been issued by the tax collector if termination occurs during the interval between attachment of the lien and issuance of a statement.

**Section 15.06.      Liens**

Airline shall cause to be removed promptly any and all liens of any nature arising out of or because of any construction performed by Airline or any of its contractors or subcontractors upon Exclusive Use Space, Preferential Use Space, or Joint Use Space or arising out of or because of the performance of any work or labor by or for it to them at said premises, reserving the right to contest in court the validity of any such liens. Airline shall have the right to post an appropriate bond to cover its obligations pursuant to this Section 15.06.

In the event any person or corporation shall attempt to assert a mechanic's lien against the leased premises for improvements made by Airline, Airline shall indemnify and hold County harmless from such claim, including the cost of defense.

**Section 15.07.      Subordination to Agreements with the U. S. Government**

This Agreement is subject and subordinate to the provisions of any agreements heretofore or hereafter made between County and the United States, relative to the development, operation or maintenance of the Airport System, the execution of which has been required as a condition precedent to the transfer of federal rights or property to County for Airport System purposes, or to the expenditure of federal funds for the improvement or development of the Airport System, including the expenditure of federal funds for the development of the Airport System in accordance with the provisions of the Federal Aviation Act of 1958, the Federal Aid to Airports Act, the Airport and Airway Development Act of 1970, and the Airport and Airway

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Improvement Act of 1982, as such acts may have been amended from time to time. County covenants that, to the best of its knowledge, it has no existing agreements with the United States that contain provisions expressly in conflict with the express provisions of this Agreement.

In the event that the FAA requires, as a condition precedent to the granting of funds for the improvement of the Airport System, modification or changes to this Agreement, Airline agrees to consent to such amendments, modifications, revisions, supplements or deletions of any of the terms, conditions or requirements of this Agreement as may be reasonably required to enable County to obtain such grant of funds, provided that in no event shall such changes impair the rights of Airline hereunder.

**Section 15.08.        Incorporation of Exhibits**

All exhibits referred to in this Agreement are intended to be and hereby are specifically made a part of this Agreement.

**Section 15.09.        Incorporation of Required Provisions**

The parties incorporate herein by this reference all provisions lawfully required to be contained herein by any governmental body or agency.

**Section 15.10.        Price Level Adjustments**

The fixed dollar amounts contained in this Agreement (with the exception of Section 7.02(B)(8)) shall be adjusted each year in proportion to the changes in the Implicit Price Deflator index published by the U. S. Department of Labor, Bureau of Labor Statistics, using as a base the latest published index available as of January 1, 1988. If the Implicit Price Deflator index is no longer published, the Director shall designate a successor index.

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**Section 15.11. Entire Agreement**

This Agreement, together with all exhibits attached hereto, constitutes the entire agreement between the parties hereto, and all other representations or statements heretofore made, verbal or written, are merged herein, and this Agreement may be amended only in writing, and executed by duly authorized representatives of the parties hereto.

**Section 15.12. Force Majeure**

Neither County nor Airline shall be deemed in violation of this Agreement if it is prevented from performing any of the obligations, hereunder by reason of strikes, boycotts, labor disputes, embargoes, shortage of energy or materials, acts of God, acts of a public enemy, acts of superior governmental authority, weather conditions, riots, rebellion, sabotage or any other circumstances for which it is not responsible or which are not within its control, provided these provisions shall not excuse Airline from paying the rentals and fees specified in Article 5.

**Section 15.13. Headings**

The headings of the several articles and sections of this Agreement are inserted only as a matter of convenience and for reference and do not define or limit the scope or intent of any provisions of this Agreement and shall not be construed to affect in any manner the terms and provisions hereof or the interpretation or construction thereof.

**Section 15.14. Nonexclusive Rights**

It is understood and agreed that nothing herein contained shall be construed to grant to Airline any exclusive right or privilege within the meaning of Section 308 of the Federal Aviation Act for the conduct of any activity on the Airport, except that, subject to the terms and provisions hereof, Airline shall have the right to exclusive possession of the Exclusive Use Space leased to Airline under the provisions of this Agreement.

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**Section 15.15.        Inspection of Books and Records**

Each party hereto, at its expense and on reasonable notice, shall have the right from time to time to inspect the books, records and other data of the other party relating to the provisions and requirements hereof, provided such inspection is made during regular business hours.

**Section 15.16.        Generally Accepted Accounting Principles**

Whenever any report or disclosure referred to in this Agreement consists, either in whole or in part, of financial information, such report or disclosure shall be prepared in accordance with generally accepted accounting principles, except where provided to the contrary in this Agreement.

**Section 15.17.        General Interpretation**

Insofar as this Agreement grants, permits or contemplates the use of space or facilities or the doing or any other act or thing at the Airport by Airline, such use or the doing of such act or thing is to be in connection with the operation of the civil air transportation system by Airline for the carriage by aircraft of persons, property, cargo, baggage, and mail on scheduled or nonscheduled flights, whether as a common carrier, a contract carrier, a private carrier or otherwise. Each of the parties, however, has entered into this Agreement solely for its own benefit; and (without limiting the right of either party to maintain suits, actions or other proceedings because of breaches of this Agreement) the Agreement does not grant to any third person (excepting a successor party to County or Airline) a right to claim damages or bring any suit, action or other proceeding against either County or Airline because of any breach hereof.

**Section 15.18.        Holding Over**

If Airline remains in possession of the leased premises after the expiration of this Agreement without any written renewal thereof, such holding over shall not be deemed as a

**Sacramento International Airport**

**Scheduled Airline Operating Agreement and Terminal Building Lease**

renewal or extension of this Agreement, but shall create only a tenancy from month to month that may be terminated at any time by County. Such holding over shall otherwise be upon the same terms and conditions as set forth in this Agreement.

**Section 15.19.        Consent Not to be Unreasonably Withheld**

Whenever consent or approval is required herein by either County or Airline, such consent or approval is not to be unreasonably withheld.

**Section 15.20.        Authority of Director**

All rights and obligations of County under this Agreement may be exercised by the Director or his designee, unless specifically provided otherwise or required by law.

**Section 15.21.        Invalid Provision**

If any covenant, condition or provision herein contained is held to be invalid by any court of competent jurisdiction, the invalidity of any such covenant, condition or provision shall in no way affect any other covenant, condition or provision herein contained, provided that the invalidity of any such covenant, condition or provision does not materially prejudice either party hereto in its respective rights and obligations contained in the valid covenants, conditions or provisions in this Agreement.

**Section 15.22.        Vending Machines**

Airline shall assure that no amusement, vending machines, public pay phones, facsimile, copy machines, or other machines operated by coins, tokens or credit cards are installed or maintained in or at Airline's Exclusive Use Space, Preferential Use Space, or Joint Use Space unless otherwise approved by the Director. Airline self ticket machines shall only be installed, operated or maintained with the prior written approval of the Director, and will be installed

**Sacramento International Airport**

**Scheduled Airline Operating Agreement and Terminal Building Lease**

within the Airline's Exclusive Use Space or Preferential Use Space in specific locations as approved by the Director.

**Section 15.23.      Public Address System**

Airline agrees that the use of County's public address, voice and data communication system will be in accordance with County's written public address system policy. Airline shall not install, cause to be installed or use any other such system at the Terminal Building without the prior written approval of Director.

**Section 15.24.      Employees of Airline**

Airline shall require all of its employees, agents, officers, representatives, suppliers, contractors, subcontractors, licensees, subtenants, invitees, and suppliers hired by Airline and working about the Terminal Building to wear clean and neat attire and to display appropriate identification.

**Section 15.25.      Removal of Disabled Aircraft**

Airline shall promptly remove any of its disabled aircraft from any part of the Airport (including, without limitation, runways, taxiways, aprons and gate positions) and place any such disabled aircraft in such storage areas as may be designated by County. Airline may store such disabled aircraft only for such length of time and on such terms and conditions as may be established by County. If Airline fails to remove any of its disabled aircraft promptly, County may, but shall not be obligated to, cause the removal of such disabled aircraft, provided, however, the obligation to remove or store such disabled aircraft shall not be inconsistent with federal and State laws and regulations and Airline agrees to reimburse County for all costs of such removal, and Airline further hereby releases County from any and all claims for damage to the disabled aircraft or otherwise arising from or in any way connected with such removal by County.

**Sacramento International Airport**

**Scheduled Airline Operating Agreement and Terminal Building Lease**

**Section 15.26. Licenses, Fees and Permits**

Airline shall obtain and pay for all licenses, fees, permits, or other authorization or charges as required under federal, State or local laws and regulations insofar as they are necessary to comply with the requirements of this Agreement and the privileges extended hereunder.

**Section 15.27. Airport Access License Permit**

County reserves the right to establish a licensing or permit procedure for vehicles requiring access to Airport operational areas and to levy directly against Airline or its suppliers a uniform and nondiscriminatory regulatory or administrative charge for issuance of such Airport access license or permit.

**Section 15.28. Energy Conservation**

Airline shall comply with all County rules and regulations pertaining to energy conservation and management to the extent that such rules and regulations do not infringe on the rights and privileges granted herein.

**Section 15.29. Compliance with Part 77, Title 14, CFR**

Airline agrees to comply with the notification and review requirements covered in Part 77, Title 14, Code of Federal Regulations, FAA Regulations, in the event future construction of a building is planned for the leased premises, or in the event of any planned modification or alteration of any present or future building or structure on the leased premises.

**Section 15.30. Reservations re: Airspace and Noise**

There is hereby reserved to County, its successors and assigns, for the use and benefit of the public, a right of flight for the passage of aircraft in the airspace above the surface of the

**Sacramento International Airport**

**Scheduled Airline Operating Agreement and Terminal Building Lease**

leased premises. This public right of flight shall include the right to cause in such airspace any noise inherent in the operation of any aircraft used for navigation or flight through such airspace or landing at, taking off from, or other operations on the Airport.

**Section 15.31. National Emergency**

This Agreement and all the provisions hereof shall be subject to whatever right the U.S. Government now has, or in the future may have or acquire, affecting the control, operation, regulation and taking over of said Airport or the exclusive or nonexclusive use of the Airport by the United States during time of war or national emergency.

**Section 15.32. Time is of the Essence**

Time is of the essence in this Agreement.

**Section 15.33. Construction of Certain Words**

Words used in this Agreement may be construed as follows:

A. Number.

Words used in the singular include the plural, and words in the plural include the singular.

B. Tense.

Words used in the present tense include the future.

**Section 15.34. Noise Abatement and Mitigation**

County may, in the future, enact certain regulations for the purpose of minimizing, abating, or mitigating noise resulting from operation of the Airport. County and Airline agree that nothing in this Agreement shall be deemed to impair or in any way affect County's right as Airport proprietor, to the extent of such right, to enact such regulations for noise minimization, abatement, or mitigation purposes, as long as such regulations are otherwise valid under



applicable laws, or affect or impair Airline's right to challenge any such regulation on any ground other than as a breach or impairment of this Agreement.

**Section 15.35.      Hazardous Materials**

A.      Airline shall at all times and in all respects comply with all environmental laws, and any amendments thereto affecting Airline's operation on the Airport, including all federal, state, and local laws, ordinances and regulations relating to Hazardous Material. As used herein, the term "Hazardous Material" means any hazardous or toxic substance, material or waste, which is or becomes regulated by any local governmental authority, the State of California or the United States Government. The term "Hazardous Material" includes, without limitation, any material or substance which is: (1) defined as a "Hazardous Waste" or "Extremely Hazardous Waste" or "Restricted Hazardous Waste" under Sections 25115, 15117 or 25122.7 or listed pursuant to Section 25140 of the California Health and Safety Code, Division 20, Chapter 6.5 (Hazardous Waste Control Law); (2) defined as a "Hazardous Substance" under Section 25316 of the California Health and Safety Code, Division 20, Chapter 6.8 (Carpenter-Presley-Tanner Hazardous Substance Account Act); (3) defined as a "Hazardous Materials" or "Hazardous Substance" or "Hazardous Waste" under Section 25501 of the California Health and Safety Code, Division 20, Chapter 6.95 (Hazardous Materials Release Response Plans and Inventory); (4) defined as a "Hazardous Substance" under Section 25281 of the California Health and Safety Code, Division 20, Chapter 6.7 (Underground Storage of Hazardous Substances); (5) petroleum; (6) asbestos; (7) listed under Article 9 or defined as "Hazardous Wastes" or "Extremely Hazardous" pursuant to Article 11 of Title 22 of the California Administrative Code, Division 4, Chapter 20; (8) designated as a "Hazardous Waste" pursuant to Section 311 of the Federal Water Pollution Control Act (33 U.S.C. Section 1317); (9) defined as a "Hazardous Waste" pursuant to Section 1004 of the Federal Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et seq. (42 U.S.C. Section 6903); or (10) defined as a "Hazardous Substance" pursuant to Section 101 of the Comprehensive

**Sacramento International Airport**

**Scheduled Airline Operating Agreement and Terminal Building Lease**

Environmental Response, Compensation and Liability Act, 42 U.S.C. Section 9601 et seq. (42 U.S.C. Section 9601).

B. If Airline causes, or permits the use or storage of hazardous materials resulting in contamination of the leased premises, then Airline shall indemnify, defend and hold County harmless from any claims, judgments, damages, penalties, fines, costs, liabilities or losses which arise during or after the term of this Agreement as a result of such contamination. This indemnification of County by Airline includes, without limitation, costs incurred in connection with any investigation of site conditions or any clean up, remedial, removal or restoration work required by any Federal, State or local governmental agency or political subdivision because of Hazardous Material present in the soil or ground water on or under the leased premises, excepting pre-existing conditions. Without limiting the foregoing, if the presence of any Hazardous Material on the lease premises caused or permitted by Airline results in any contamination of the leased premises, Airline shall promptly take all actions at its sole expense as are necessary to render the leased premises in compliance with all applicable environmental laws; provided that County's approval of such actions shall first be obtained, which approval shall not be unreasonably withheld so long as such actions would not potentially have any material adverse long-term or short-term effect on the leased premises.

C. Airline shall promptly notify County in writing of: (1) any enforcement, clean-up, removal or governmental or regulatory action instituted, completed, threatened pursuant to any Hazardous Materials laws; (2) any claim made by any person against Airline or the leased premises relating to damage, contribution, cost recovery compensation, loss, or injury resulting from or claiming to result from any Hazardous Materials in the lease premises; and (3) any reports made to any environmental agency arising out of or in connection with any Hazardous Materials in the leased premises; and (3) any reports made to any environmental agency arising out of or in connection with any Hazardous Materials in or removed from the leased premises, including any complaints, notices, warnings or asserted violations in connection therewith (but excluding routine manifests, records or receipts that are submitted to environmental agencies

**Sacramento International Airport**

**Scheduled Airline Operating Agreement and Terminal Building Lease**

for the purposes of documenting waste disposal or product receipt activities). Airline shall also supply to County as promptly as possible, and in any event within ten (10) business days after Airline first receives or sends the same, copies of all claims, reports, complaints, notices, or warnings or asserted violations relating in any way to the leased premises or Airline's use thereof.

D. During the term of this Agreement, upon advance notice, the Director or those authorized by the Director, shall have the right of entry to test and determine the extent of any contamination of the leased premises provided that any such testing shall not unreasonably disrupt or interfere with Airline's operations. The results of such tests (including any reports, documents or test results), shall be simultaneously provided to the Director and Airline.

E. Nothing contained in this Section is intended to limit or otherwise narrow the duties of Airline as set forth in Article 9.

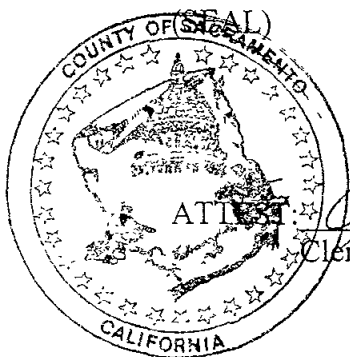
**Section 15.36      Authority for Agreement**

Airline warrants and represents that it has the right, power, and legal capacity to enter into, and perform its obligations under this Agreement, and no approvals or consents of any persons are necessary in connection with it. The execution, delivery, and performance of this Agreement by the undersigned Airline representatives have been duly authorized by all necessary corporate action of Airline, and this Agreement will constitute a legal, valid, and binding obligation of Airline, enforceable in accordance with its terms.

Sacramento International Airport

Scheduled Airline Operating Agreement and Terminal Building Lease

IN WITNESS WHEREOF, the parties have hereto caused this Agreement to be duly executed as of the day and year first written above.



Cindy H. Turner  
Clerk of the Board of Supervisors

COUNTY OF SACRAMENTO, a political  
subdivision of the State of California

By Roger Nalls  
Chairperson, Board of Supervisors of  
the County of Sacramento, California  
"COUNTY"

By [Signature]  
MANAGING DIRECTOR  
PROPERTIES & FACILITIES  
Title "AIRLINE"

ATTEST: Leslie Klepper  
Assistant ~~Corporate~~ Secretary of Airline

APPROVED AS TO TERMS AND CONDITIONS:

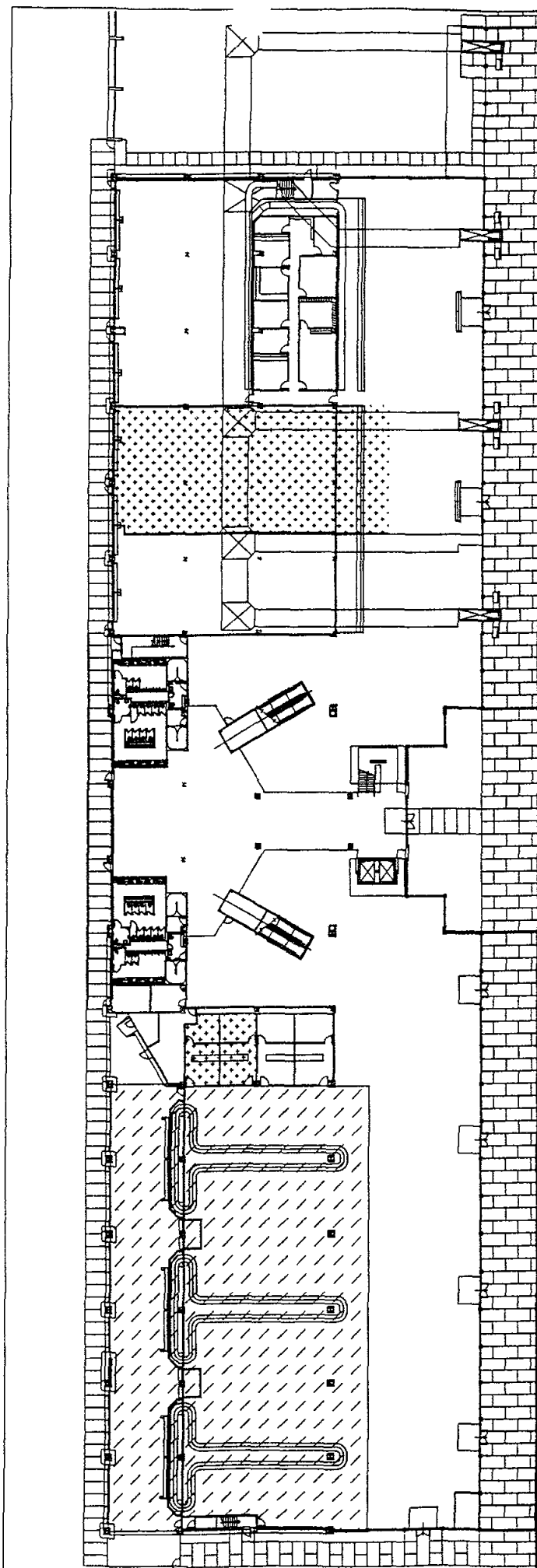
G. Hardy Acree  
G. Hardy Acree  
Director of Airports

APPROVED AS TO FORM:




[Signature]  
Deputy County Counsel

Leslie Klepper  
Attorney for Airline

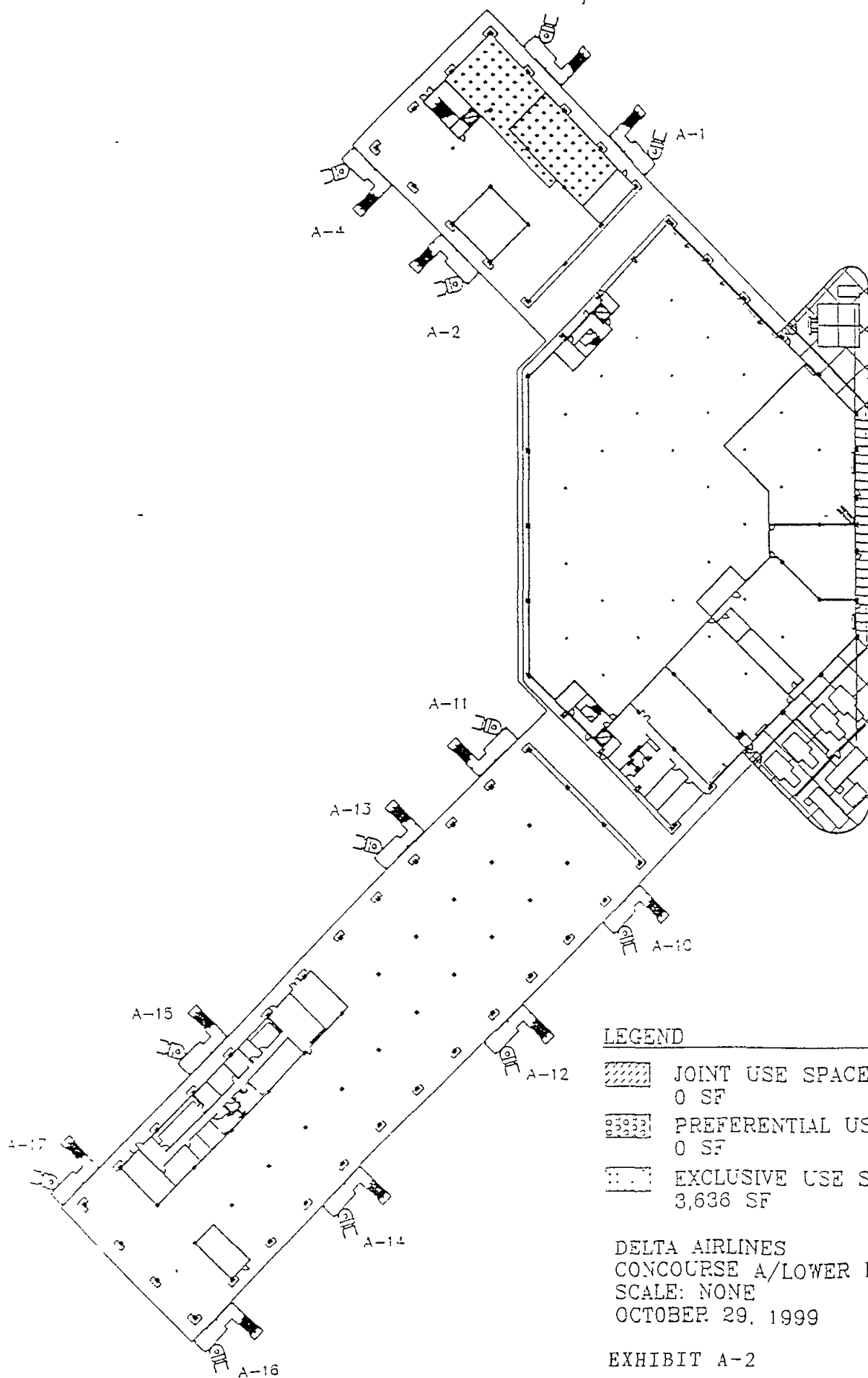
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


LEGEND

-  JOINT USE SPACE  
18,558 SF
-  PREFERENTIAL USE SPACE  
0 SF
-  EXCLUSIVE USE SPACE  
6,358 SF

DELTA AIRLINES  
TERMINAL A  
SCALE: NONE  
OCTOBER 29, 1999

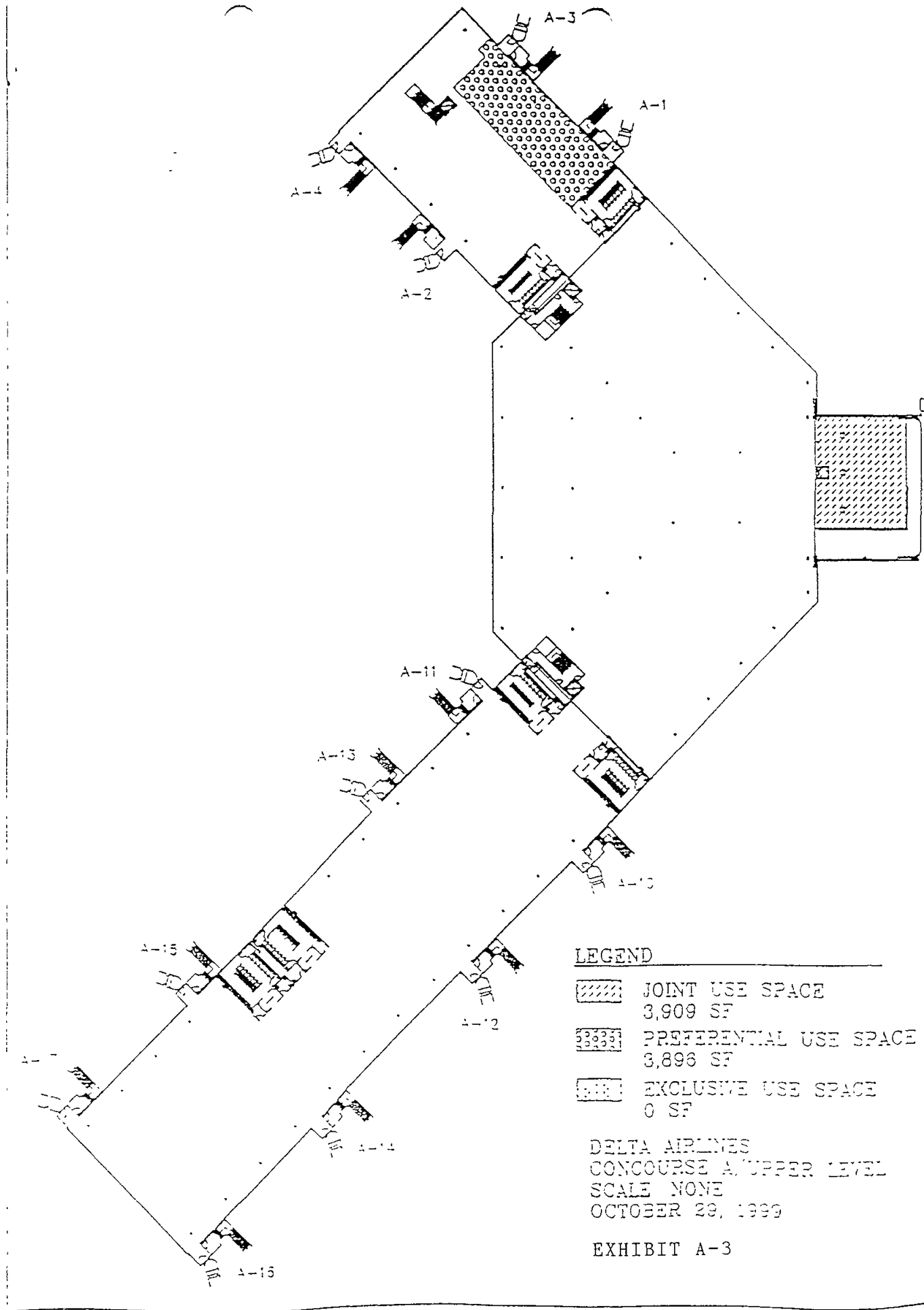


**LEGEND**

-  JOINT USE SPACE  
0 SF
-  PREFERENTIAL USE SPACE  
0 SF
-  EXCLUSIVE USE SPACE  
3,636 SF

DELTA AIRLINES  
CONCOURSE A/LOWER LEVEL  
SCALE: NONE  
OCTOBER 29, 1999

EXHIBIT A-2

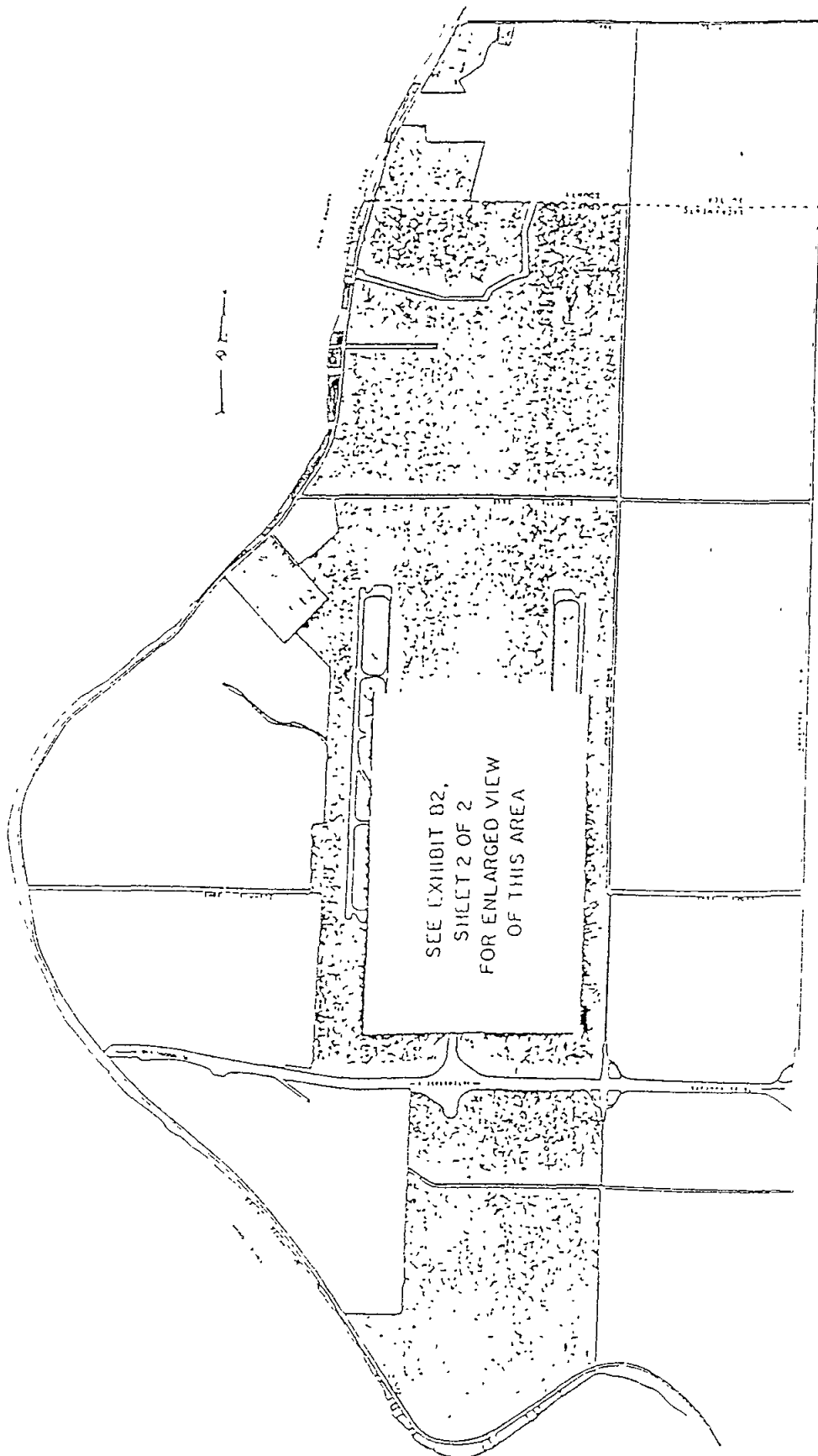


# LEGEND

- JOINT USE SPACE  
3,909 SF
- PREFERENTIAL USE SPACE  
3,896 SF
- EXCLUSIVE USE SPACE  
0 SF

DELTA AIRLINES  
CONCOURSE A, UPPER LEVEL  
SCALE NONE  
OCTOBER 29, 1999

EXHIBIT A-3



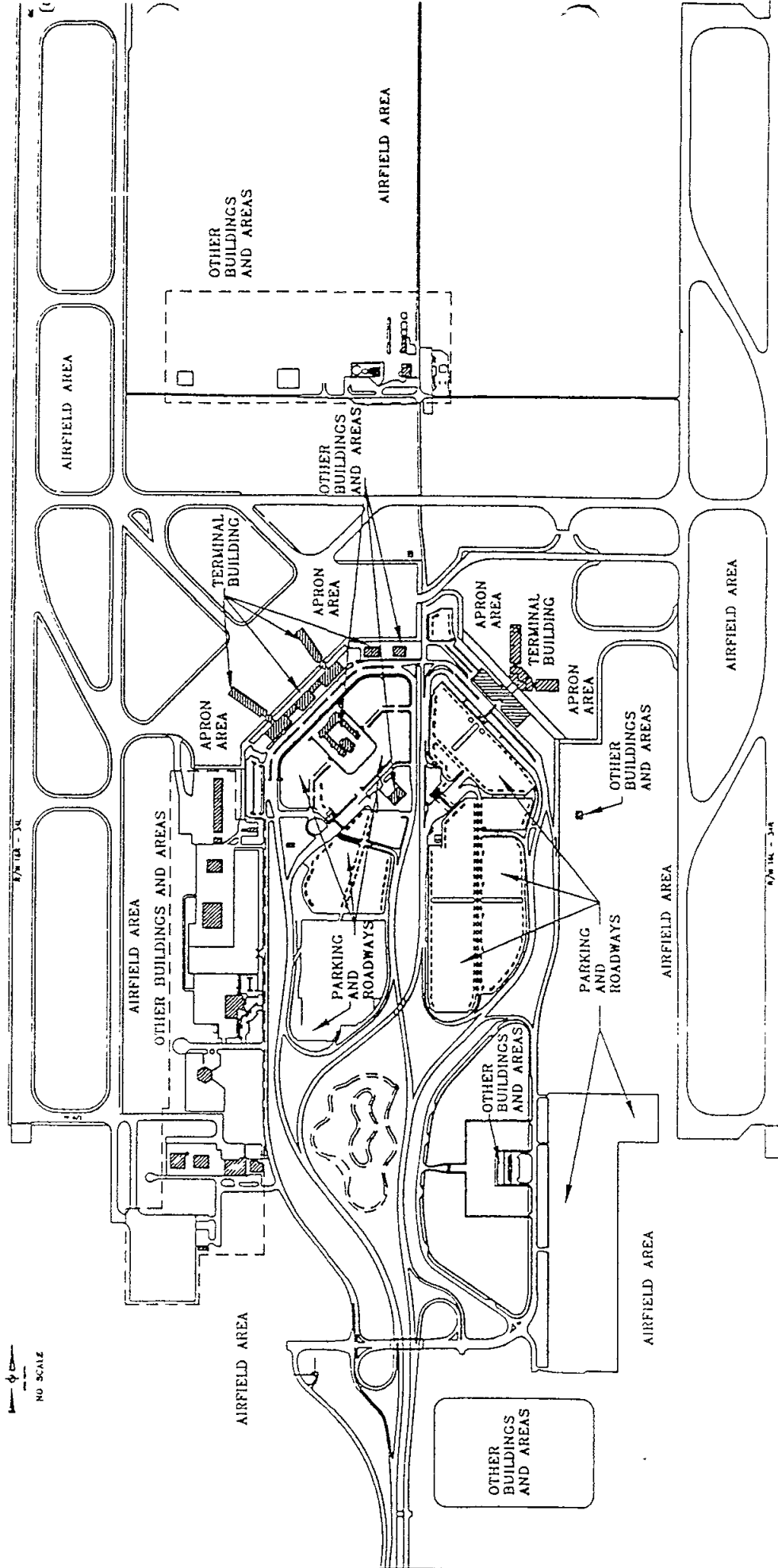
SACRAMENTO INTERNATIONAL AIRPORT

EXHIBIT B1

NO SCALE

SHEET 1 of 2





SACRAMENTO INTERNATIONAL AIRPORT  
AIRPORT SYSTEM COST CENTERS  
EXHIBIT B2  
MAY 20, 1997

COUNTY OF SACRAMENTO  
DEPARTMENT OF AIRPORTS  
APPROVED CAPITAL IMPROVEMENTS

EXHIBIT C

		Gross Project Cost	Grants	Net Project Cost
<b>TERMINAL BUILDING</b>				
TB -0014	ET Building Shell	42,770,000		42,770,000
TB -0014	ET Building Finishes	21,194,000		21,194,000
TB -0015	T1&2 Rehabilitation	15,562,750		15,562,750
TB -0047	T1,2,3, CPS, & Administration Building Electrical System Reconstruction/Upgrade Ph-2	5,863,000		5,863,000
TB -0058	Concourse Throat Expansion	3,062,000		3,062,000
TB -0059	WT Rehabilitation Post ET DBO	4,830,000		4,830,000
	<b>Sub-total Terminal Building</b>	<b>93,281,750</b>		<b>93,281,750</b>
<b>LOADING BRIDGES</b>				
LB -0001	ET Jet Loader (12)	6,310,000		6,310,000
LB -0002	WT Jet Loader (11)	4,257,000		4,257,000
LB -0004	WT Jet Loader Ph-2	4,766,000		4,766,000
	<b>Sub-total Loading Bridges</b>	<b>15,333,000</b>		<b>15,333,000</b>
<b>AIRFIELD</b>				
AF -0031	T/W C-5 (Taxiway D10)	1,271,000		1,271,000
AF -0043	Land	500,000		500,000
AF -0047	SMGCS (Low Visab ) Eq.	604,000	487,000	117,000
AF -0054	ARFF Truck Replacement - R5	480,000		480,000
AF -0059	GA Apron Airside Access Road	436,000		436,000
AF -0062	Earhart Drive Reconstruction	477,000		477,000
AF -0065	Noise Monitoring System	761,000		761,000
AF -0076	Overlay Runway 16L-34R	3,000,000		3,000,000
	<b>Sub-total Airfield Area</b>	<b>7,529,000</b>	<b>487,000</b>	<b>7,042,000</b>
<b>AIRFIELD APRON</b>				
AP -0002	ET Aircraft Apron Expansion	20,519,000	9,816,000	10,703,000
AP -0027	East Cargo Apron	831,000		831,000
AP -0033	Fueler (110,000) 1-Add (2000)	313,000		313,000
AP -0011	WT Apron Rehab (acres)	5,247,000		5,247,000
	<b>Sub-total Airfield Apron Area</b>	<b>26,910,000</b>	<b>9,816,000</b>	<b>17,094,000</b>
<b>OTHER BUILDINGS AND AREAS</b>				
OB -0066	Airfield Support Shops and Facilities	3,263,000		3,263,000
OB -0131	ARFF Station Building Expansion	331,000		331,000
OB -0141	Meister Road Pump Station Relocation	375,000		375,000
OB -0153	ARFF Station Rehabilitation Allowance	350,000		350,000
OB -0155	Waste Water Allowance	1,000,000		1,000,000
OB -0156	Water Well Rehabilitation Allowance	500,000		500,000
OB -0157	Fiber Optic Cable (allowance)	353,000		353,000
OB -0164	East Cargo Building	1,391,000		1,391,000
	<b>Sub-total Other Buildings and Areas</b>	<b>7,563,000</b>		<b>7,563,000</b>
<b>PARKING AND ROADWAYS</b>				
PR -0027	AVI System	827,000		827,000
PR -0038	Shuttle Buses 2-Additional (1999)	378,000		378,000
PR -0053	Rehabilitation Existing Roads	2,600,000		2,600,000
PR -0056	Rehabilitation Existing Parking Lots	1,500,000		1,500,000
PR -0059	Shuttle Buses 3-Additional (2001)	661,000		661,000
PR -0060	Shuttle Buses 3-Additional (20002)	714,000		714,000
PR -0061	ET Roads Phase 2C	1,481,000		1,481,000
	<b>Sub-total Parking and Roadways</b>	<b>8,161,000</b>		<b>8,161,000</b>

COUNTY OF SACRAMENTO  
DEPARTMENT OF AIRPORTS  
APPROVED CAPITAL IMPROVEMENTS

EXHIBIT C

RELIEVER AIRPORTS

Executive

RA -0050	Pavement Renab & Misc. Facility Improvements	3,930,000	3,369,000	561,000
RA -0066	Road/Parking Lot Allowance	300,000		300,000
RA -0067	T Hangars Ph-2	1,118,000		1,118,000
RA -0068	Terminal Remodel	639,000		639,000
	Sub-total Executive	5,987,000	3,369,000	2,618,000

MATHER

MA -0009	GA - Terminal Building, Parking Lot & Asbestos Abatement (EDA Grant)	2,500,000	1,875,000	625,000
MA -0012	Misc. Building Demolition/Abatement Allowance	500,000		500,000
MA -0026	Cargo Area Utilities Relocation Ph-2	1,579,000		1,579,000
MA -0027	Building Code Compliance Allowance	1,000,000		1,000,000
MA -0028	Utilities Rehabilitation Allowance	1,250,000		1,250,000
MA -0050	Buildings 7005/10/35 Fire Sprinkler & Structural Mod	586,000		586,000
	Sub-total Mather	7,415,000	1,875,000	5,540,000

FRANKLIN FIELD

RA -0072	Franklin Field Paving	1,500,000	1,350,000	150,000
	Sub-total Franklin Field	1,500,000	1,350,000	150,000

Total Reliever Airports

14,902,000	6,594,000	8,308,000
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TOTAL CAPITAL PROGRAM

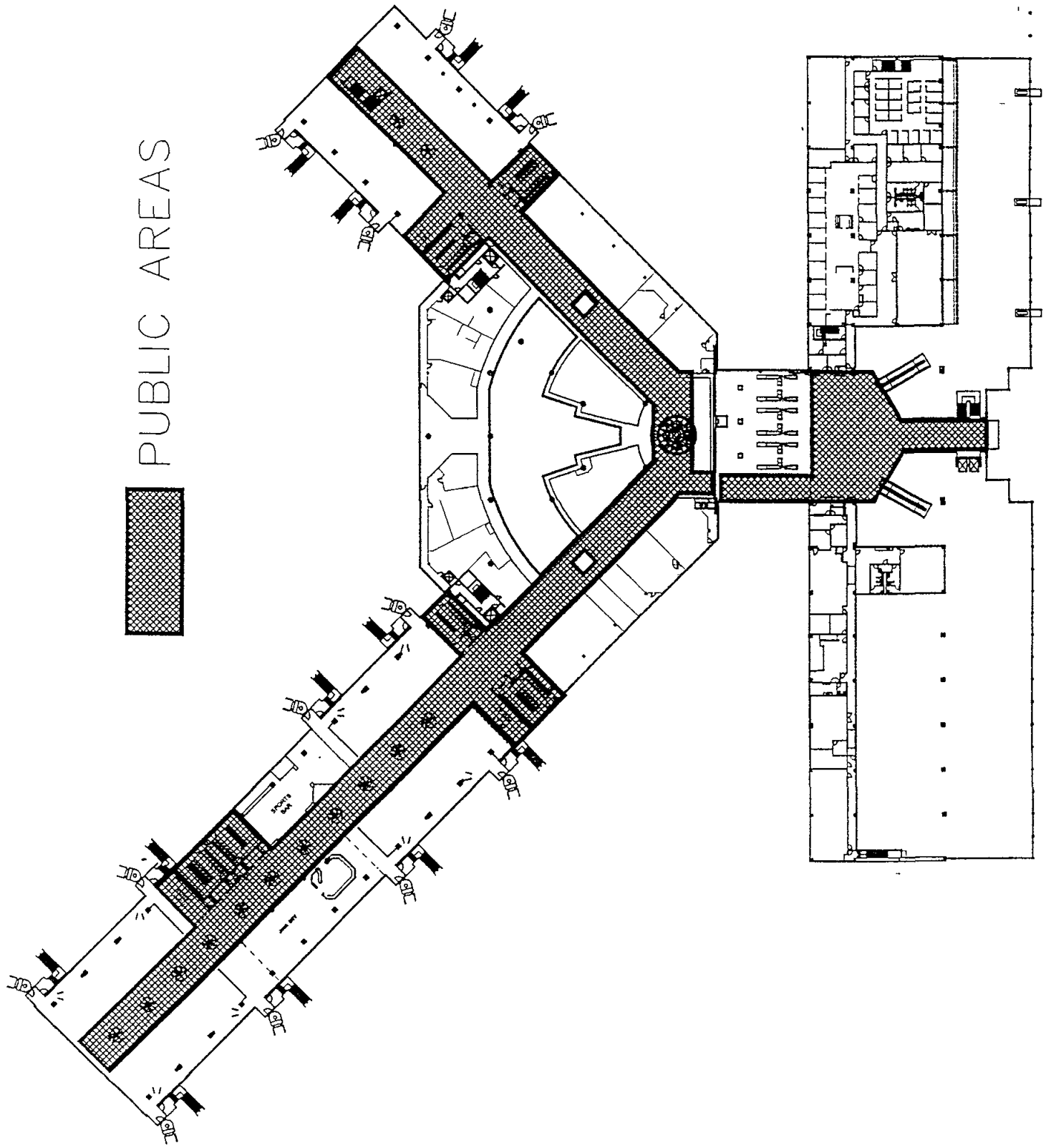
173,679,750	16,897,000	156,782,750
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COUNTY OF SACRAMENTO  
DEPARTMENT OF AIRPORTS  
APPROVED CAPITAL IMPROVEMENTS

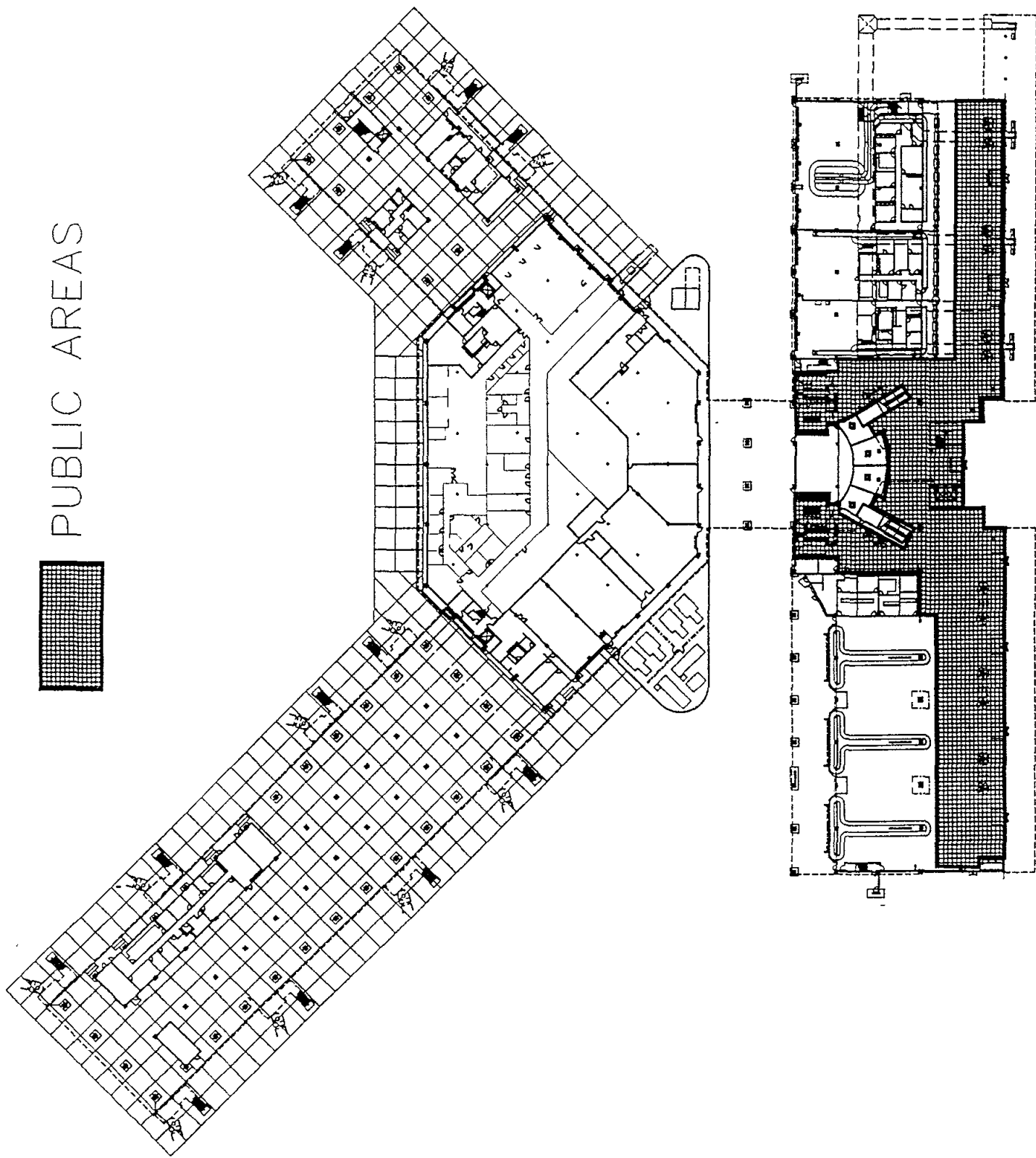
	Gross Project Cost	Grants	Net Project Cost	Capital Improve Fund	Series 1992 Bonds	M & O Fund	FUNDING SOURCE				Total
							PFC	Pay as you go	Series 1998 Bonds		
									PFC	Revenue	
TERMINAL BUILDING											
TB -0014	42 770 000		42 770 000							42 770 000	42 770 000
TB -0014	ET Building Shell										
TB -0014	ET Building Finishes									21 194 000	21 194 000
TB -0015	T1&2 Rehabilitation		15 562 750				13 733 750			1 829 000	15 562 750
TB -0047	T1 2 3 C1 S & Administration Building Electrical										
TB -0058	System Recons/struct/Upgrade Ph 2		5 863 000							2 739 000	5 863 000
TB -0058	Quonset Throat Expansion		3 062 000							3 062 000	3 062 000
TB -0059	WT Rehabilitation Post LT DBO		4 830 000							4 830 000	4 830 000
TB -0059	WT Rehabilitation Post LT DBO										
TB -0059	Sub-total Terminal Building		93 281 750				13 733 750			5 801 000	93 281 750
LOADING BRIDGES											
LB -0001	ET Jet loader (12)		6 310 000							6 310 000	6 310 000
LB -0002	WT Jet Loader (11)		4 257 000				4 257 000				4 257 000
LB -0004	WT Jet Loader Ph 2		4 768 000				3 096 000				4 768 000
LB -0004	Sub-total Loading Bridges		15 333 000				7 353 000			6 310 000	15 333 000
AIRFIELD											
AF -0031	TAV C-5 (T Jwayab D10)		1 271 000								1 271 000
AF -0043	Land		500 000							658 000	500 000
AF -0047	SIGCS (Low Visab) Eq		604 000							500 000	117 000
AF -0054	ARRF Truck Replacement - R5		480 000							117 000	480 000
AF -0059	GA Apron Airside Access Road		436 000				36 000				436 000
AF -0062	Enlight Drive Reconstruction		477 000							477 000	477 000
AF -0065	Noise Monitoring System		761 000							761 000	761 000
AF -0076	Overlay Runway 16L-34R		3 000 000							3 000 000	3 000 000
AF -0076	Sub-total Airfield Area		7 529 000				36 000			1 355 000	7 042 000
AIRFIELD APRON											
AP -0002	ET Aircraft Apron Expansion		20 519 000								20 519 000
AP -0027	East Cargo Apron		831 000							831 000	831 000
AP -0033	Fueler (110 000) 1 Add (2000)		313 000							313 000	313 000
AP -0011	WT Apron Rehab (acres)		5 247 000				5 247 000				5 247 000
AP -0011	Sub-total Airfield Apron Area		26 910 000				9 473 000			313 000	17 094 000
OTHER BUILDINGS AND AREAS											
OB -0068	Airfield Support Shops and Facilities		3 263 000							3 263 000	3 263 000
OB -0131	ARRF Station Building Expansion		331 000								331 000
OB -0141	Master Road Pump Station Relocation		375 000							375 000	375 000
OB -0153	ARRF Station Rehabilitation Allowance		350 000								350 000
OB -0155	Waste Water Allowance		1 000 000							1 000 000	1 000 000
OB -0156	Water Wast Rehabilitation Allowance		500 000							500 000	500 000
OB -0157	Fiber Optic Cable (allowance)		353 000							353 000	353 000
OB -0164	East Cargo Building		1 391 000							1 391 000	1 391 000
OB -0164	Sub total Other Buildings and Areas		7 583 000				131 000			5 491 000	7 583 000
PARKING AND ROADWAYS											
PR -0027	AVI System		827 000								827 000
PR -0038	Shuttle Buses 2 Additional (1999)		378 000								378 000
PR -0053	Rehabilitation Existing Roads		2 600 000								2 600 000
PR -0056	Rehabilitation Existing Parking Lots		1 500 000							1 500 000	1 500 000
PR -0059	Shuttle Buses 3-Additional (2001)		661 000							661 000	661 000
PR -0060	Shuttle Buses 3-Additional (2002)		714 000							714 000	714 000
PR -0061	ET Roads Phase 2C		1 481 000							1 481 000	1 481 000
PR -0061	Sub total Parking and Roadways		8 161 000							3 702 000	8 161 000

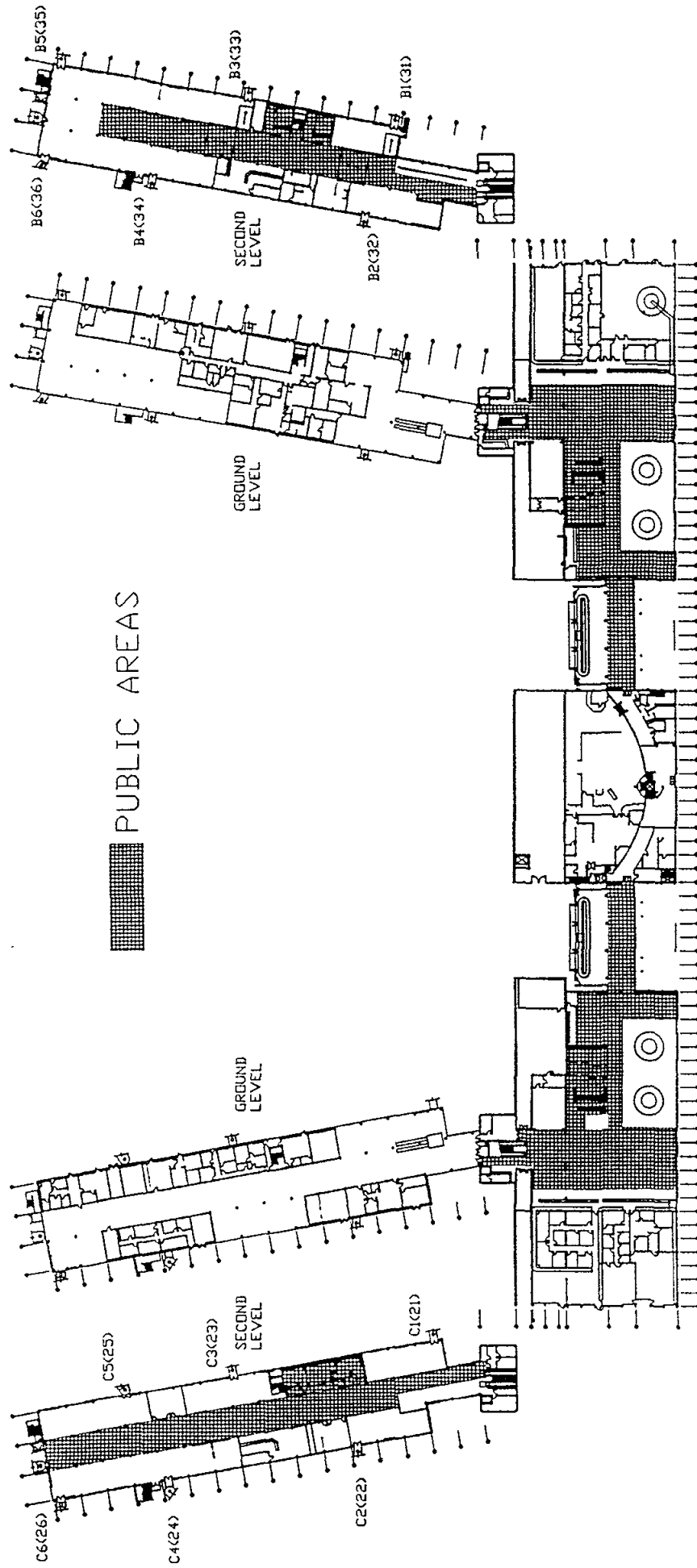
COUNTY OF SACRAMENTO  
DEPARTMENT OF AIRPORTS  
APPROVED CAPITAL IMPROVEMENTS

	Gross Project Cost	Grants	Net Project Cost	Capital Improve Fund	Series 1982 Bonds	M & O Fund	PFC Pay as you go	FUNDING SOURCE			Total
								PFC	Series 1990 Bonds		
									Revenue	Revenue	
RELIEVER AIRPORTS											
Executive											
RA -0050	3 930 000	3 369 000	561 000	561 000							561 000
RA -0056	300 000		300 000	300 000							300 000
RA -0057	1 118 000		1 118 000	1 118 000							1 118 000
RA -0068	639 000		639 000	639 000							639 000
Sub total Executive	5 987 000	3 369 000	2 618 000	2 618 000							2 618 000
MATHER											
MA -0009	2 500 000	1 875 000	625 000	625 000							625 000
MA -0012	500 000		500 000	500 000							500 000
MA -0026	1 579 000		1 579 000	1 579 000							1 579 000
MA -0027	1 000 000		1 000 000	1 000 000							1 000 000
MA -0028	1 250 000		1 250 000	1 250 000							1 250 000
MA -0050	586 000		586 000	586 000							586 000
Sub-total Mather	7 415 000	1 875 000	5 540 000	5 540 000							5 540 000
FRANKLIN FIELD											
RA -0072	1 500 000	1 350 000	150 000	150 000		150 000					150 000
Sub total Franklin Field	1 500 000	1 350 000	150 000	150 000		150 000					150 000
Total Reliever Airports	14 902 000	6 594 000	8 308 000	8 158 000		150 000					8 309 000
TOTAL CAPITAL PROGRAM	173 679 750	16 697 000	156 982 750	8 536 000		317 000	32 252 750	15 303 000	82 199 000	3 431 000	156 782 750



PUBLIC AREAS







# ASSURANCES REQUIRED BY THE FEDERAL AVIATION ADMINISTRATION

## SECTION A

### Purpose, Classes Of Activities, Applicability Of Assurances And Definition Of Terms

#### 1. PURPOSE:

The County of Sacramento, California, an airport owner subject to both Federal Grant Agreement obligations at Sacramento International Airport (SMF), Sacramento Executive Airport (SAC), and Mather Airport (MHR), is required by the Federal Aviation Administration (FAA) to include specific provisions, addressing, among other things, the requirements of Title VI of the Civil Rights Act of 1964, Exclusive Rights prohibitions, and Affirmative Action items contained in Title 14 Code of Federal Regulations Part 152, within all agreements (including, without limitation, leases, licenses, permits, and contracts) between said County and any and all entities who use or perform work or conduct activities on County owned or operated airport premises for aeronautical or non-aeronautical purposes. The purpose of this Exhibit is to appropriately incorporate within the "Agreement," to which it is attached and made a part of by reference therein, the seventeen (17) numbered provisions contained within Section "B," "ASSURANCES," below.

#### 2. CLASSES OF ACTIVITIES:

The applicability of each of the seventeen (17) numbered provisions contained within Section "B," "ASSURANCES," below, to that certain "Agreement" to which this Exhibit is attached and made a part of by reference therein, is, among other things, dependent upon the type of work to be performed and/or the type of activities to be conducted at the airport(s) by the Lessee, Permittee, Licensee, Operator, etc., named therein, pursuant to and in accordance with those certain rights, privileges, uses, and operations, expressly granted and/or authorized thereunder. The following activity classifications, as established by the FAA, are provided for the information and guidance of all concerned:

##### a. Direct and Supportive Aeronautical: The following activities, commonly conducted on airports, are AERONAUTICAL ACTIVITIES:

- (1) Air Carrier
- (2) Charter Operations
- (3) Pilot Training
- (4) Aircraft rental and sightseeing
- (5) Aerial Photography
- (6) Crop dusting
- (7) Aerial Advertising and Surveying
- (8) Aircraft Sales and Services
- (9) Sale of Aviation Petroleum products (whether or not conducted in conjunction with other included activities)

- (10) Repair and Maintenance of Aircraft
- (11) Sale of Aircraft Parts
- (12) Any other activities which, because of their direct relationship to the operation of an aircraft, can appropriately be regarded as an "aeronautical activity."

b. Complementary Aeronautical: The following activities, when conducted on airports, are COMPLEMENTARY AERONAUTICAL ACTIVITIES:

- (1) Ground Transportation (taxis, car rentals, limousines)
- (2) Restaurants
- (3) Barber Shops
- (4) Auto Parking Lots
- (5) Recreational Facilities
- (6) Any other commodities, services or accommodations made available to the general public.

c. Non-Aeronautical: The following activities, when conducted on airports, being neither "Direct and Supportive Aeronautical" nor "Complementary Aeronautical," as defined above, are NON-AERONAUTICAL ACTIVITIES.

- (1) Manufacturing
- (2) Agriculture
- (3) Any other activity not appropriately falling within the above-said "Direct and Supportive Aeronautical" and/or "Complementary Aeronautical," classifications.

3. APPLICABILITY OF NUMBERED PROVISIONS WITHIN SECTION "B," "ASSURANCES," BELOW TO CLASS(ES) OF ACTIVITIES SPECIFIED WITHIN PARAGRAPH 2, ABOVE:

The applicability of the numbered provisions within Section "B," "Assurances," below, to the respective classes of activities specified within sub-paragraphs 2a, b, and c, of this Section "A," above, is as follows:

<u>ACTIVITY CLASS</u>	<u>NUMBERED PROVISIONS APPLICABLE TO CLASS</u>
	<u>SMF, SAC and MHR AGREEMENTS</u>
Direct and Supportive Aeronautical	1 through 17
Complementary Aeronautical	1 through 16
Non-Aeronautical	1 through 16

4. DEFINITION OF TERMS USED WITHIN SECTION "B," "ASSURANCES," BELOW:

In order to facilitate ease of fulfillment of the requirement specified within paragraph 1 of this Section "A," this Exhibit is designed to be attached to and made a part of all County of Sacramento Airport "Agreements," including, without limitation, leases, licenses, permits,

contracts, etc. Therefore, in the event the "Agreement" to which this Exhibit is attached and made a part of by reference therein shall be other than a lease or be a lease within which the parties thereto are therein called or referred to other than "Lessor" and "Lessee," then, where the terms "Lessor," "Lessee," and "Lease" appear, as shown, within the seventeen (17) numbered "ASSURANCES" listed within Section "B," below, said terms shall be deemed to mean "COUNTY OF SACRAMENTO, CALIFORNIA," "THE OTHER PARTY TO THE PARTICULAR AGREEMENT" (e.g., Licensee, Permittee, Concessionaire, Operator, etc.), and the "AGREEMENT" itself (regardless of title, type and/or description, including, without limitation, Leases, Agreements, Licenses, Permits, and Contracts) respectively. Where the terms "LAND LEASED" and "LEASED PREMISES" (and all reasonably readily identifiable derivations thereof) appear, said terms shall be deemed to mean the land(s) and/or premises specifically identified within the "Agreement" as being that/those to which leasehold tenancies, occupancies, use(s), operation(s), and/or access(es) by the Lessee, Permittee, Licensee, Operator, Concessionaire, etc., are expressly authorized. In all cases, where the term "AIRPORT" appears, as shown, it shall be deemed to mean the particular airport(s) (i.e., either the Sacramento International Airport, the Sacramento Executive Airport, or Mather Field) as identified within the "Agreement" between the parties as being the Airport(s) to which the "Agreement" pertains.

## **SECTION B**

### **Assurances**

1. The "LESSEE," for itself, its heirs, personal representatives, successors in interest, and assigns, as a part of the consideration hereof, does hereby covenant and agree (as a covenant running with the land if the "Agreement" to which this Exhibit is attached is a lease) that in the event facilities are constructed, maintained, or otherwise operated on the said property described in this "LEASE" for a purpose for which a U.S. Department of Transportation (DOT) program or activity is extended or for another purpose involving the provision of similar services or benefits, the "LESSEE" shall maintain and operate such facilities and services in compliance with all other requirements imposed pursuant to Title 49, Code of Federal Regulations, DOT, Subtitle A, Office of the Secretary, Part 21, Nondiscrimination in Federally-Assisted Programs of the Department of Transportation-Effectuation of Title VI of the Civil Rights Act of 1964, and as said Regulations may be amended.

2. The "LESSEE," for itself, its personal representatives, successors in interest, and assigns, as a part of the consideration hereof, does hereby covenant and agree (as a covenant running with the land if the agreement to which this Exhibit is attached is a lease) that: (1) no person on the grounds of race, color, or national origin shall be excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination in the use of said facilities, (2) that in the construction of any improvements on, over, or under such land and the furnishing of services thereon, no person on the grounds of race, color, or national origin shall be excluded from participation in, denied the benefits of, or otherwise be subject to discrimination, (3) that the "LESSEE" shall use the "premises" in compliance with all other requirements imposed by or pursuant to Title 49, Code of Federal Regulations, Department of Transportation, Subtitle A, Office of the Secretary, Part 21, Non-discrimination in Federally-Assisted Programs of the

Department of Transportation-Effectuation of Title VI of the Civil Rights Act of 1964, and as said Regulations may be amended.

3. That in the event of breach of any of the above nondiscrimination covenants, "LESSOR" shall have the right to terminate the "LEASE" and to reenter and repossess said land and the facilities thereon, and hold the same as if said "LEASE" had never been made or issued. This provision does not become effective until the procedures of 49 CFR Part 21 are followed and completed including expiration of appeal rights.
4. "LESSEE" shall furnish its accommodations and/or services on a fair, equal and not unjustly discriminatory basis to all users thereof and it shall charge fair, reasonable and not unjustly discriminatory prices for each unit or service; PROVIDED, THAT the "LESSEE" may be allowed to make reasonable and nondiscriminatory discounts, rebates or other similar type of price reductions to volume purchasers.
5. Non-compliance with Provision 4 above shall constitute a material breach thereof and in the event of such non-compliance the COUNTY OF SACRAMENTO, CALIFORNIA ("LESSOR") shall have the right to terminate this "LEASE" and the estate hereby created without liability therefore or at the election of the "LESSOR" or the United States either or both said Governments shall have the right to judicially enforce Provisions 1, 2, 3, and 4 above.
6. "LESSEE" agrees that it shall insert the above five (5) provisions in any lease, agreement, contract, etc., by which "LESSEE" grants a right or privilege to any person, firm or corporation to render accommodations and/or services to the public on the "premises" herein "LEASED."
7. The "LESSEE" assures that it will undertake an affirmative action program as required by 14 CFR Part 152, Subpart E, to ensure that no person shall on the grounds of race, creed, color, national origin, or sex be excluded from participating in any employment activities covered in 14 CFR Part 152, Subpart E. The "LESSEE" assures that no person shall be excluded on these grounds from participating in or receiving the services or benefits of any program or activity covered by this subpart. The "LESSEE" assures that it will require that its covered suborganizations provide assurances to the "LESSEE" that they similarly will undertake affirmative action programs and that they will require assurances from their suborganizations, as required by 14 CFR 152, Subpart E, to the same effect.
8. The "LESSOR" reserves the right to further develop or improve the landing area of the "Airport" as it sees fit, regardless of the desires or view of the "LESSEE" and without interference or hindrance.
9. The "LESSOR" reserves the right, but shall not be obligated to the "LESSEE," to maintain and keep in repair the landing area of the "Airport" and all publicly-owned facilities of the "Airport," together with the right to direct and control all activities of the "LESSEE" in this regard.
10. This "LEASE" shall be subordinate to the provisions and requirements of any existing or future agreement between the "LESSOR" and the United States, relative to the development, operation or maintenance of the "Airport."

11. There is hereby reserved to the "LESSOR," its successors and assigns, for the use and benefit of the public, a right of flight for the passage of aircraft in the airspace above the surface of the "premises" herein "LEASED." This public right of flight shall include the right to cause in said airspace any noise inherent in the operation of any aircraft used for navigation or flight through the said airspace or landing at, taking off from or operation on the "Airport."

12. "LESSEE" agrees to comply with the notification and review requirements covered in Part 77 of the Federal Aviation Regulations in the event future construction of a building is planned for the "LEASED PREMISES," or in the event of any planned modification or alteration of any present or future building or structure situated on the "LEASED PREMISES."

13. The "LESSEE," by accepting this "LEASE," expressly agrees for itself, its successors and assigns that it will not erect nor permit the erection of any structure or object, nor permit the growth of any tree on the "land leased" hereunder which would exceed the height limits of Part 77 of the Federal Aviation Regulations. In the event the aforesaid covenants are breached, "LESSOR" (the owner) reserves the right to enter upon the "land leased" hereunder and to remove the offending structure or object and cut the offending tree, all of which shall be at the expense of the "LESSEE."

14. The "LESSEE," by accepting this "LEASE," agrees for itself, its successors and assigns, that it will not make use of the "LEASED PREMISES" in any manner which might interfere with the landing and/or taking off of aircraft at and/or from the "AIRPORT" (either Sacramento International Airport, Sacramento Executive Airport or Mather Field, as applicable) or otherwise constitute a hazard. In the event the aforesaid covenant is breached, the "LESSOR" (owner) reserves the right to enter upon the "premises hereby leased" and cause the abatement of such interference at the expense of the "LESSEE."

15. This "LEASE," and all the provisions hereof shall be subject to whatever right the United States Government now has or in the future may have or acquire, affecting the control, operation, regulation and taking over of said "AIRPORT" or the exclusive or nonexclusive use of the "AIRPORT" by the United States during the time of war or national emergency.

16. It is the policy of the Department of Transportation (DOT) that disadvantaged and minority business enterprises as defined in 49 CFR Part 23 shall have the maximum opportunity to participate in the performance of leases as defined in 49 CFR 23.5. Consequently, these leases are subject to 49 CFR Part 23, as applicable. "LESSEE" hereby covenants and agrees that no person shall be excluded from participation in, denied the benefits of or otherwise discriminated against in connection with the award and performance of any contract, including leases, covered by 49 CFR Part 23 on the grounds of race, color, national origin or sex. "LESSEE" agrees that it will include the above clauses in all sub-leases and cause sublessees to similarly include the clauses in further sub-leases.

17. It is understood and agreed that nothing herein contained shall be construed to grant or authorize the granting of an exclusive right within the meaning of Section 308a of the Federal Aviation Act of 1958 (49 U.S.C. 1349a).