

TO: Mayor Savage and Members of Halifax Regional Council

Original Signed by 

SUBMITTED BY: Jacques Dubé, Chief Administrative Officer

DATE: November 1st, 2018

SUBJECT: Halifax International Airport Authority (HIAA) Taxation Agreement

ORIGIN

On July 23rd, 2013 Regional Council approved a 5-year Development Grant Agreement with Halifax International Airport Authority (HIAA). This agreement will expire on March 31st, 2019. Since the last renewal, the Province passed Bill 55, (An Act to Amend Chapter 39 of the Acts of 2008, the Halifax Regional Municipality Charter) allowing HRM to enter into a tax agreement with HIAA (the Authority).

LEGISLATIVE AUTHORITY

Section 92A of the Halifax Regional Municipality (HRM) Charter states:

(1) Notwithstanding any enactment, where there is an agreement pursuant to this Section, the Halifax International Airport Authority shall pay taxes with respect to property assessed to it within the Municipality in accordance with the agreement instead of the taxes otherwise payable, pursuant to the provisions of this Act, set out in the agreement.

(2) Notwithstanding any enactment, where the Council considers it necessary or advisable, the Municipality may enter into a taxation agreement with the Authority respecting the taxes payable to the Municipality by the Authority.

(3) A taxation agreement entered into pursuant to this section does not apply with respect to property leased or occupied by a tenant of the Authority.

Section 58(1) and (2) of the Halifax Regional Municipality (HRM) Charter states:

(1) The Council shall make decisions in the exercise of its powers and duties by resolution, by policy or by by-law.

(2) The Council may exercise any of its powers and duties by resolution unless a policy or a by-law is required by an enactment.

Section 10(3) of the Halifax Regional Municipality (HRM) Charter states:

Halifax International Airport Authority (HIAA) Taxation Agreement

Council Report

- 2 -

December 11, 2018

(3) The Mayor and Clerk or the persons designated by Council by policy may sign a deed or other document to which the Municipality is a party on behalf of the Municipality.

RECOMMENDATION

It is recommended that Halifax Regional Council request that the Mayor and Clerk execute the Taxation Agreement with the Halifax International Airport Authority (HIAA), as per attachment 1.

BACKGROUND

HIAA is a non-share capital corporation incorporated in 1995. On 1 February 2000 HIAA took over the management of Halifax Stanfield International Airport, with Transport Canada relinquishing its role of operator to an appropriate role with regulatory oversight. Transport Canada and HIAA have a ground lease agreement for 80 years, qualifying the airport as a commercial property for municipal tax purposes. HIAA is exempt from provincial income and capital taxes as well as federal corporate taxes.

Prior to the Province passing bill 55, HRM provided tax support to HIAA in the form of a development grant agreement. The development grant was the difference between full taxation and taxes as calculated by a mutually agreed upon formula. The development grant agreement was first approved by Council in February 2000, renewing every five fiscal years. It will end with its expiration on March 31st, 2019, in favor of a taxation agreement.

The development agreement was designed to ensure predictable municipal revenue, while giving predictable tax treatment to HIAA to pursue their capital plan without unduly raising user fees.

DISCUSSION

HIAA Impacts on the Regional Economy

In legal terms, the development agreement will become a taxation agreement pending ratification by both parties, on April 1st, 2019. In practice, HRM's budgeted revenues from HIAA are forecast to increase with inflation (NS-CPI) and annual increases in passenger volume. HRM views Halifax Stanfield International Airport (HSIA) as a significant contributor to the maintenance and expansion of economic activity in and around HRM and wishes to support the Authority in its efforts and plans to expand, improve and develop the HSIA.

HIAA periodically sanctions an independent economic analysis of HSIA's regional impacts. Staff have reviewed this report and find its conclusions relatively reasonable given its growing regional role, and the nature of Nova Scotia's small but open economy.

HALIFAX STANFIELD - AIR TRAFFIC STATISTICS 2009 to 2017			
Enplaned / Deplaned Passengers:		Total Aircraft Movements:	Passenger Average Per Movement:
2009	3,417,164	88,477	38.6
2010	3,508,153	87,349	40.2
2011	3,594,164	87,009	41.3
2012	3,605,701	84,703	42.6
2013	3,585,864	83,767	42.8
2014	3,663,039	81,574	44.9
2015	3,702,705	82,478	44.9

Halifax International Airport Authority (HIAA) Taxation Agreement

Council Report

- 3 -

December 11, 2018

2016	3,908,799	84,974	46.0
2017	4,083,188	84,045	48.6
Source: Statistics Canada.			

HSIA is the 8th busiest airport in Canada, and has been experiencing growing cargo and passenger volumes in the years since 2009. Growth in passengers and cargo is set to continue due to expanding export demand from Asian markets and increased tourism interest in Nova Scotia. Looking forward, HSIA's relative importance will grow as value-added goods demand on the Chinese mainland and South-East Asia expands for Nova Scotia firms.

HALIFAX STANFIELD - TOP FIVE NOVA SCOTIA EXPORTS IN 2017		
Rank	Description	\$ Value
1.	Live Lobsters & Other Seafood	209,859,000
2.	Medical and Surgical Instruments	32,965,000
3.	Electric Machinery	29,500,000
4.	Industrial Machinery	25,827,000
5.	Aircraft and Parts	24,945,000
Remainder	Others	30,382,000
Total		353,478,000
Sources: Halifax International Airport Authority, April 2018.		

In 2017, HIAA and tenants spent \$58.0 million on capital projects. These projects created 1,035 direct and spinoff FTE jobs with the direct portion being 375 FTE jobs. The 2017 projects contributed over \$95 million to the province's economic output.

HIAA's planned future spending on capital projects to 2022 is listed below.

- 2018 - \$53.0 million
- 2019 - \$40.0 million
- 2020 - \$43.0 million
- 2021 - \$54.0 million
- 2022 - \$41.0 million

For 2018 to 2022, \$296 million is expected to be spent on capital projects by HIAA and tenants. Known planned future projects, as of mid-2018, will create 5,285 FTE jobs with the direct jobs being 1,910. According to HIAA, these future projects to 2022 are forecast to contribute over \$485 million to Nova Scotia's economic output.

Tax Agreement Specifics

The term of the agreement is 20 years, beginning on April 1st, 2019. At this date, the property tax to be paid by HIAA annually that is subject to this agreement is the sum of:

- I. The passenger amount; and
- II. The adjusted base amount.

Halifax International Airport Authority (HIAA) Taxation Agreement

Council Report

- 4 -

December 11, 2018

The adjusted base amount is the amount increased annually, starting in 2005, by the Consumer Price Index for Nova Scotia. For 2019, this amount will be \$694,500, rising by CPI each year for the duration of the agreement. The passenger amount is calculated using actual passenger volume for the fiscal year in question, multiplied by 22 cents per passenger. HRM and HIAA negotiated an increase from 2 to 2.5 per cent in assured passenger volume growth. At a minimum, this gives HRM an incremental \$40,000 per year over the life of the agreement. These amounts form the non-tenant revenue payable by HIAA.

Estimates of Anticipated Final Passenger Volumes and Total Revenues

<u>Calendar Year</u>	<u>Final Passenger Volume</u>	<u>Taxation Year</u>	<u>Passenger Amount (\$)</u>	<u>Adjusted Base Amount (\$)</u>	<u>Estimated Tax Agreement Revenue (\$)</u>
2019	4,380,000	2019-20	963,600	694,500	1,658,100
2020	4,468,000	2020-21	982,960	708,400	1,691,360
2021	4,557,000	2021-22	1,002,540	722,600	1,725,140
2022	4,648,000	2022-23	1,022,560	737,000	1,759,560
2023	4,741,000	2023-24	1,043,020	748,055	1,791,075
Long term assumption is Final Passenger Volume will grow by 2.5% annually beginning in 2024. NS-CPI for the Adjusted base amount is forecast to be 2% to 2022 and 1.5% beyond 2022. Source: HIAA & HRM Finance					

Tenant Property Tax Revenues

There are numerous commercial tenants present at HIAA that are not subject to this taxation agreement. Given that, property taxes applicable to HIAA property that are licensed or subleased by tenants, are calculated based on HRM's normal approach to commercial taxes, namely assessment multiplied by the applicable tax rate. Revenues from tenants on land covered by the HIAA-Transport Canada Ground Lease were approximately \$3 million in 2017. Since 2013, tenant revenues from HIAA have grown on average 1.63 per cent. Finance staff expect continued growth in HIAA tenant revenues owing to HIAA's growth oriented capital plan and continued improvements in passenger traffic over the medium term.

<u>Year</u>	<u>HIAA Tenant Revenues (\$)</u>
2013	2,841,964
2014	3,348,228
2015	3,100,781
2016	3,048,670
2017	3,069,301
2018	3,119,584

FINANCIAL IMPLICATIONS

Approval of this taxation agreement will have budget impacts beginning in 2019-20. The tax-revenue estimates are considered reasonable given the relatively predictable fluctuations in passenger numbers

and CPI figures. HIAA's capital plan is likely to add significant value to HSIA over time and staff will monitor these changes in the coming years. HRM is nearly certain to receive growing and predictable revenues over the life of the agreement.

RISK CONSIDERATION

Risks related to approving this agreement are low due to the mutually beneficial relationship between HRM and HIAA and shared economic development goals. Passenger number forecasts from HIAA appear quite reasonable and will provide the basis for tax revenue for the length of the agreement. HIAA has granted HRM safeguards against any unforeseen downturn in passenger numbers through a minimum 2.5 per cent increase in passenger numbers for the duration of the agreement.

COMMUNITY ENGAGEMENT

N/A

ENVIRONMENTAL IMPLICATIONS

N/A

ALTERNATIVES

Regional Council may choose to not approve this agreement and direct staff to develop an amended agreement with HIAA.

This is not recommended due to the strategic importance of HSIA to HRM and the region. The economic rationale for a tax agreement with HIAA is sound given its importance to HRM and Nova Scotia.

ATTACHMENTS

Attachment 1: Proposed Taxation Agreement

A copy of this report can be obtained online at halifax.ca or by contacting the Office of the Municipal Clerk at 902.490.4210.

Report Prepared by: Kenzie McNeil, Senior Financial Consultant, Financial Policy & Planning, 902.579.4129

Original Signed by: 

Financial Approval by: _____

Jane Fraser, Director of Finance, Asset Management & ICT, 902.490.4630

TAXATION AGREEMENT

THIS AGREEMENT made as of the ● day of ●, 2018.

B E T W E E N:

HALIFAX REGIONAL MUNICIPALITY
(hereinafter called “HRM”)

- and -

HALIFAX INTERNATIONAL AIRPORT AUTHORITY
(hereinafter called the “Authority”)

RECITALS:

- A. The Authority was incorporated on November 23, 1995 under Part II of the *Canada Corporations Act*, and continued on April 7, 2014 under the *Canada Not-for-profit Corporations Act*, as a not-for-profit, non share-capital corporation with a mandate to manage, operate and develop Halifax Stanfield International Airport (“HSIA”).
- B. Pursuant to the ground lease made between Canada and the Authority as of February 1, 2000, as amended (the “Ground Lease”), Canada leased to the Authority all of the “Lands” (as defined in the Ground Lease) for a term of eighty (80) years.
- C. The Authority endeavors to manage, operate and develop HSIA in such a manner as to improve transportation facilities and to generate economic activity in and around the various communities comprising the HRM.
- D. HRM views the HSIA as a significant contributor to the maintenance and expansion of economic activity in and around HRM and wishes to support the Authority in its efforts and plans to expand, improve and develop HSIA.
- E. The Authority continues to confer regularly with HRM and other community stakeholders on matters affecting the operation and development of HSIA.
- F. The Authority and HRM previously entered into development grant agreements, the last dated April 1, 2014 (the “Development Grant Agreement”), whereby HRM had agreed, *inter alia*, to make an annual grant, pursuant to section 70 of the *Halifax Regional*

Municipality Charter, to the Authority in an amount calculated in accordance with the terms and conditions of the Development Grant Agreement.

- G. The Province of Nova Scotia has passed amendments to, the *Halifax Regional Municipality Charter* by adding Section 92A which authorizes HRM to enter into a taxation agreement with the Authority which may include setting a tax rate and setting out a means to calculate the amount of taxes payable by the Authority.
- H. HRM and the Authority wish to terminate the Development Grant Agreement and enter into this Agreement.

NOW THEREFORE in consideration of the mutual covenants herein contained and other good and valuable consideration, it is agreed as follows:

1. **Definitions.** In this Agreement,

1.1 “**Act**” means the *Halifax Regional Municipality Charter*.

1.2 “**Adjusted Base Amount**” means the Base Amount increased annually, commencing in 2005, by the Consumer Price Index for HRM, currently identified as reference catalogue number 62-010-X1B for Halifax.

1.3 “**Adjusted Final Passenger Volume**” has the meaning set forth in Section 4(b).

1.4 “**Agreement**” means this agreement, together with any amendments, modifications or extensions hereto.

1.5 “**Annual Period**” means that twelve-month fiscal year commencing upon April 1st of any applicable year and ending on March 31st of the following year.

1.6 “**Authority Property**” means the parcels of land managed or administered by the Authority as identified in Schedule A to this Agreement.

1.7 “**Base Amount**” means the amount of Five Hundred and Twenty-Eight Thousand Eight Hundred and Ninety-Eight Dollars (CAD \$528,898), which represents that amount that was payable in lieu of taxes by Canada to HRM for the 1998-99 taxation year, based on the provincial assessed value for that taxation year.

1.8 “**Canada**” means Her Majesty the Queen in Right of Canada.

1.9 “**Commencement Date**” has the meaning set forth in subsection 2.2 of this Agreement.

1.10 “**Council**” means the Council of HRM.

1.11 “Deplaned Passenger” means any person, other than airline crewmembers, who disembarks from an aircraft at the HSIA air terminal building during the applicable calendar year.

1.12 “Enplaned Passenger” means any person, other than airline crewmembers, who boards an aircraft at the HSIA air terminal building during the applicable calendar year.

1.13 “Estimated Passenger Volume” means the estimated total number of Enplaned and Deplaned Passengers as communicated to HRM by the Authority in accordance with Section 6 of this Agreement.

1.14 “Exempt Federal Tenants” means licencees, sublessees, tenants and other occupiers of Authority Property who are departments or agencies of the federal government and who occupy Authority Property free of charge.

1.15 “Exempt Property” means property occupied by Her Majesty or as a place of worship that is exempt from taxation pursuant to Nova Scotia’s *Assessment Act*.

1.16 “Final Passenger Volume” means, subject to Section 7 hereof, the total number of Enplaned and Deplaned Passengers for a calendar year as communicated to HRM by the Authority in accordance with Section 6 of this Agreement.

1.17 “Passenger Amount” has the meaning set forth in Section 4 of this Agreement.

1.18 “Tenants” means licensees, sublessees and tenants of the Authority, other than Exempt Federal Tenants.

2. Term and Termination.

2.1 Termination of Development Grant Agreement. The Development Grant Agreement is terminated and replaced with this Agreement.

2.2 Term. The term of this Agreement is twenty (20) years, commencing on April 1, 2019 (the “Commencement Date”), and terminating on March 31, 2039.

2.3 Termination. HRM may terminate this Agreement for any reason by delivering written notice to the Authority no later than three hundred and sixty five (365) days prior to the end of the applicable Annual Period. Where notice to terminate is delivered by HRM in accordance with this clause, this Agreement shall terminate effective March 31st of the applicable Annual Period.

3. Property Tax Payable. The Authority shall pay property tax in accordance with this Agreement instead of any property tax or rate imposed by HRM.

The Authority agrees that any property tax payable by the Authority to HRM pursuant to this Agreement shall be paid in accordance with the invoicing methodology as set by the Council.

No later than March 1st of each year, HRM shall provide the Authority with an interim invoice equal to fifty per cent (50%) of the property taxes paid by the Authority in respect of the most recently completed Annual Period. The Authority shall pay the amounts set forth in the invoice no later than April 30th of each year.

No later than September 30th of each year, HRM shall provide the Authority with a final invoice, equal to the outstanding amount of property tax payable by the Authority, as calculated in Sections 4 and 5 of this Agreement. The Authority shall pay the amounts set forth in the final invoice no later than October 31st of each year.

4. Calculation of Property Tax.

For each Annual Period, commencing with the Annual Period beginning April 1, 2019, the property tax to be paid by the Authority for each year that is subject to this Agreement shall be calculated as the sum of:

- (i) the product of Twenty-Two Cents (CAD \$0.22) multiplied by the Passenger Amount
and
- (ii) the Adjusted Base Amount.

For the purposes of this Section 4, “Passenger Amount” means the greater of:

- (a) the Final Passenger Volume for the calendar year immediately prior to the start of the applicable Annual Period; or
- (b) the Final Passenger Volume for the calendar year immediately prior to the calendar year referred to in clause 4(a) above, plus an amount equal to two and a half per cent (2.5%) of that number (the “Adjusted Final Passenger Volume”); or
- (c) for Passenger Amounts calculated for calendar years 2019 and later, the Passenger Amount for the Annual Period immediately preceding the Annual Period in respect of which the property tax is being calculated.

By way of example only, and only for purposes of clarification and illustration, sample property tax calculations are set forth in Schedule C.

The parties acknowledge that the property tax applicable to Authority Property, other than Exempt Property and property licensed or subleased by Tenants and Exempt Federal Tenants, for the Annual Period beginning April 1, 2018 is one million, five hundred and sixty-five thousand, eight hundred and forty-eight dollars and fifty-seven cents (\$1,565,848.57) and that HRM has received full payment of such amount.

5. **Calculation of Property Tax for Tenants.** Notwithstanding Section 4, property taxes applicable to Authority Property licensed or subleased by Tenants, other than Exempt Property and property occupied by Exempt Federal Tenants, shall be calculated based on the current year assessment roll value at the tax rate(s) set by Council. HRM shall continue to work cooperatively with Property Valuation Services Corporation, or its successor organization, to ensure the Authority continues to have access to the detail included in the annual assessment roll that is used to allocate values for each portion of land and/or building on Authority Property that is licensed or subleased by a Tenant, other than Exempt Property and property that is occupied by Exempt Federal Tenants.

6. **Passenger Volume Reporting.** The Authority shall provide HRM with both an Estimated Passenger Volume and a Final Passenger Volume as follows:

Estimated Passenger Volume: The Authority shall provide HRM with Estimated Passenger Volumes, set out on an annual basis, for each five-year period commencing January 1, 2019. The Estimated Passenger Volume will be provided to HRM in the December preceding the commencement of the relevant five year period, except that the Estimated Passenger Volume for the five year period commencing January 1, 2019 is attached as Schedule B.

Final Passenger Volume: The Authority shall provide a Final Passenger Volume for each calendar year to HRM annually, on or before January 31st of the calendar year following the year that is the subject of the report. The Final Passenger Volume figures shall be based upon information on the total number of Enplaned and Deplaned Passengers reported to the Authority by all of the various commercial air carriers operating at HSIA.

7. **Unanticipated Passenger Volume Variances.**

Notwithstanding any other provision to the contrary in this Agreement, if for any calendar year during the term of this Agreement the Final Passenger Volume for that calendar year varies by more than ten percent (10%) from the Estimated Passenger Volume for that calendar year as set out in Schedule B of this Agreement, as updated pursuant to Section 6, the parties agree that either party may give notice to the other to enter into good faith discussions regarding amendments to this Agreement in order to take into account the changes to the Final Passenger Volume. Such discussions shall commence no later than thirty (30) days after the notice is received.

8. **General Provisions.**

8.1 Headings. The division of this Agreement into Articles and Sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. The terms “this Agreement”, “hereof”, “hereunder” and similar expressions refer to this Agreement and not to any particular Article, Paragraph or other portion hereof and include any agreement supplemental hereto. Unless something in the subject matter or context is inconsistent therewith, references herein to Articles and Paragraphs are to Articles and Paragraphs of this Agreement.

8.2 Extended Meanings. In this Agreement words importing the singular number only shall include the plural and *vice versa*, words importing the masculine gender shall include the feminine and neuter genders and *vice versa* and words importing persons shall include individuals, partnerships, associations, trusts, unincorporated organizations and corporations.

8.3 Schedules. The following is the Schedule annexed hereto and incorporated by reference and deemed to be part hereof:

Schedule A – Authority Property

Schedule B – Estimates of Anticipated Passenger Volumes

Schedule C – Sample Calculations

8.4 Further Assurances. Each of the Parties shall from time to time execute and deliver all such further documents and instruments and do all acts and things as the other party may reasonably require to effectively carry out or better evidence or perfect the full intent and meaning of this Agreement.

8.5 Time of the Essence. Time shall be of the essence of this Agreement.

8.6 Force Majeure. Either party shall be excused of its obligations hereunder (other than any obligation to pay money) by reason of any cause beyond its reasonable control; provided that such party immediately notifies the other of the occurrence of such cause.

8.7 Fees, Costs, Expenses. Each of the parties hereto shall pay their respective legal and accounting costs and expenses incurred in connection with the preparation, execution and delivery of this Agreement and all documents and instruments executed pursuant hereto.

8.8 Benefit of the Agreement. This Agreement shall enure to the benefit of and be binding upon the respective heirs, executors, administrators, successors and assigns of the parties hereto.

8.9 Reasonableness. Each of the parties shall at all times act reasonably in the performance of its obligations and the exercise of its rights under this Agreement.

8.10 Entire Agreement. This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and cancels and supersedes any prior understandings and agreements between the parties hereto with respect thereto. There are no representations, warranties, terms, conditions, undertakings or collateral agreements, express, implied or statutory, between the parties other than as expressly set forth in this Agreement.

8.11 Amendments and Waiver. No modification of or amendment to this Agreement shall be valid or binding unless set forth in writing and duly executed by both of the parties hereto and no waiver of any breach of any term or provision of this Agreement shall be effective or binding unless made in writing and signed by the party purporting to give the same and, unless otherwise provided, shall be limited to the specific breach waived.

8.12 Notices. Any demand, notice or other communication to be given in connection with this Agreement shall be given in writing and shall be given by personal delivery, by registered mail or by electronic means of communication addressed to the recipient as follows:

- | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (a) In the case of the HRM,

Halifax Regional Municipality
City Hall
Box 1749
Halifax NS B3J 3A5
Facsimile: 902-490-4208

Attention: Municipal Clerk | (b) In the case of the Authority,

Halifax International Airport Authority
1 Bell Boulevard
Enfield, Nova Scotia
B2T 1K2
Facsimile: 902-873-2800

Attention: Chief Financial Officer |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

8.13 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the Province of Nova Scotia and the laws of Canada applicable therein. For the purposes of Part XX of the *Municipal Government Act* of Nova Scotia, this entire Agreement shall be deemed to be public information.

SCHEDULE A

Authority Property

Assessment Account Number
01189417

Parcel Identification Numbers
00526574
41220393

DRAFT

SCHEDULE B**Estimates of Anticipated Final Passenger Volumes**

<u>Calendar Year</u>	<u>Final Passenger Volume*</u>
2019	4,380,000
2020	4,468,000
2021	4,557,000
2022	4,648,000
2023	4,741,000

* Long term assumption is that the Final Passenger Volume will grow by approximately 2% annually from 2024 – 2039.

DRAFT

SCHEDULE C

Sample Calculations

Note that Final Passenger Volumes used in the below calculations are used for illustrative purposes only.

Property taxes associated with Authority Tenants, per Section 5, to be paid separately from the below calculations.

Year	Final Passenger Volume (actual passenger volume per Section 4(a))	Adjusted Final Passenger Volume (adjuster per Section 4(b))	Passenger Amount to be used for purpose of Section 4
2018	4,400,000		
2019	2.3% growth on 4,400,000 ↓ 4,500,000	2.5% growth on 4,400,000 4,510,000	4,510,000*
2020	4.4% growth on 4,500,000 ↓ 4,700,000	2.5% growth on 4,500,000 4,612,500	4,700,000**
2021	4.3% reduction on 4,700,000 ↓ 4,500,000	2.5% growth on 4,700,000 4,817,500	4,817,500
2022	6.7% growth on 4,500,000 ↓ 4,800,000	2.5% growth on 4,500,000 4,612,500	4,817,500***
2023	2.1% growth on 4,800,000 ↓ 4,900,000	2.5% growth on 4,800,000 4,920,000	4,920,000

* Pursuant to calculations set forth in Section 4(a) and 4(b), the Adjusted Final Passenger Volume is greater than Final Passenger Volume and therefore used as the Passenger Amount

ATTACHMENT 1

** Pursuant to calculations set forth in Section 4(a) and 4(b), the Final Passenger Volume is greater than the Adjusted Final Passenger Volume and is therefore used as the Passenger Amount

*** Pursuant to Section 4(c), the previous Annual Period's Passenger Amount is greater than either Final Passenger Volume or the Adjusted Annual Volume for the current Annual Period and is therefore used as the Passenger Volume.

DRAFT