



Los Angeles  
World Airports

# Comprehensive Annual Financial Report

FISCAL YEAR ENDED JUNE 30, 2014



*Department of Airports Los Angeles, California*



# Los Angeles World Airports

(Department of Airports of the City of Los Angeles, California)

## Comprehensive Annual Financial Report

*Fiscal Year Ended June 30, 2014*

Prepared by Financial Reporting Division





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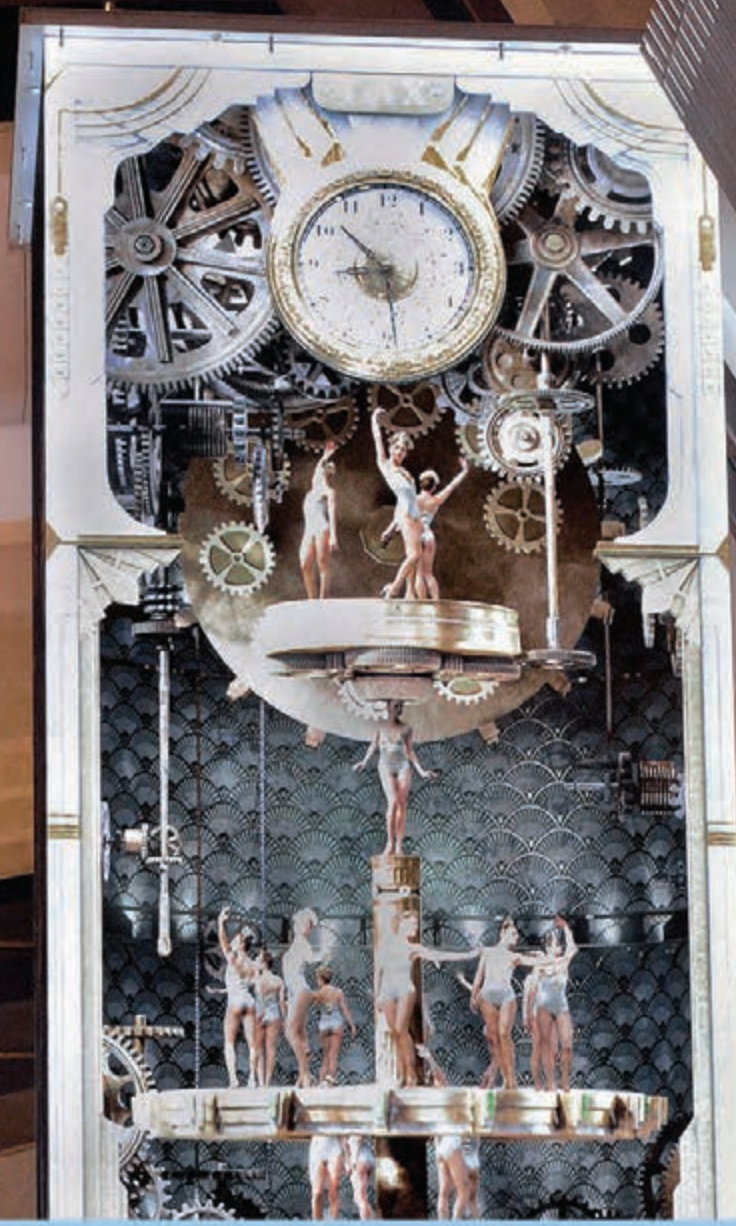
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2014 COMPREHENSIVE ANNUAL FINANCIAL REPORT

# Introductory Section



# Introductory Section Contents

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- Transmittal Letter
- Organization Chart
- Board of Airport Commissioners, Elected City Officials,  
and Los Angeles World Airports Executive Staff
- GFOA Certificate of Achievement for Excellence in Financial Reporting





November 4, 2014

To the Members of the Board of Airport Commissioners  
Los Angeles, California

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the Los Angeles World Airports (Department of Airports of the City of Los Angeles, California) (LAWA) for the fiscal year ended June 30, 2014. The CAFR, which was prepared following the guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA), contains financial statements and statistical data that fully disclose all material financial operations of LAWA. Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with LAWA's management. We believe that the data presented is complete and reliable in all material respects. This transmittal letter presents a summary of LAWA's background, economic condition and outlook, and major initiatives and developments.

Accounting principles generally accepted in the United States of America (GAAP) require management to provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditor.

### Profile of the Reporting Entity

LAWA is an independent, financially self-sufficient department of the City of Los Angeles (City) created pursuant to Article XXIV, Section 238 of the City Charter. LAWA is under the management and control of a seven-member Board of Airport Commissioners (Board) appointed by the Mayor and confirmed by the City Council.

Under the City Charter, the Board has the general power to, among other things: (a) acquire, develop and operate all property, plant and equipment as it may deem necessary or convenient for the promotion and accommodation of air commerce; (b) borrow money to finance the development of airports owned, operated or controlled by the City; and (c) fix, regulate and collect rates and charges for use of the airport system. An Executive Director administers LAWA and reports to the Board.

LAWA operates and maintains three airports in the Los Angeles Air Trade Area. The airports are Los Angeles International Airport (LAX), LA/ONT International Airport (ONT), and Van Nuys Airport (VNY). Under a lease agreement, LAWA operated Palmdale Regional Airport (PMD) until February 2009. In March 2013, the Board terminated the joint use agreement with the United States Air Force (USAF) and reassigned the lease to the City of Palmdale. LAWA owns approximately 17,750 acres of land located east of USAF Plant 42 in the City of Palmdale and retains the rights for future development of the Palmdale property. LAX, ONT and VNY are collectively known as the Airport System.

**LAX**

**LA/Ontario**

**Van Nuys**

**City of Los Angeles**

Eric Garcetti  
Mayor

**Board of Airport Commissioners**

Sean O. Burton  
President

Valeria C. Velasco  
Vice President

Gabriel L. Eshaghian  
Jackie Goldberg  
Beatrice C. Hsu  
Matthew M. Johnson  
Dr. Cynthia A. Telles

Gina Marie Lindsey  
Executive Director





LAX is the major facility of the Airport System. It is located approximately 15 miles from downtown Los Angeles on the western boundary of the City. LAX occupies approximately 3,673 acres in an area generally bounded on the north by Manchester Avenue, on the east by Aviation Boulevard, on the south by Imperial Highway, and on the west by the Pacific Ocean. Commercial airline service started in December 1946, and the present terminal complex in LAX was constructed in 1961. In the early 1980s, LAX added domestic and international terminals, parking structures and a second level roadway. LAX is the dominant airport in the five-county area (subsequently referred to as “*Air Trade Area*”) comprising Los Angeles, Orange, Ventura, Riverside and San Bernardino counties. LAX is the sixth busiest airport in the world and third in the United States. As a large hub airport, LAX offers 692 daily nonstop flights to 85 cities in the United States and 928 weekly nonstop flights to 67 cities in 34 countries on 62 commercial air carriers. Passenger traffic in LAX has shown encouraging growth of 5.9% and reached 68.8 million passengers in fiscal year 2014 as compared to the prior fiscal year. LAX ranks 14th in the world and fifth in the United States in air cargo tonnage processed, with over 1.9 million tons of air cargo valued at over \$92 billion.

ONT is a medium hub, full-service airport with commercial jet service to major United States cities and through service to international destinations. ONT is located in the Inland Empire, approximately 35 miles east of downtown Los Angeles. ONT’s service area includes a population of six million people living in San Bernardino and Riverside counties and portions of north Orange County and east Los Angeles County. In 2014, 4.0 million passengers used the airport and 449,369 tons of airfreight was shipped. ONT’s more than 114 daily flights provide service to and from major cities in the United States and Mexico. ONT’s airlines include AeroMexico, Alaska, American, Delta, Southwest, United/United Express, US Airways and Volaris. The facility includes two terminals at 265,000 square feet each for a total of 530,000 square feet, a ground transportation center and parking for the traveling public. ONT is also the center of a developing freight movement system that includes the airport, two railroads, four major freeways, and an expanding network of freight forwarders. ONT is served by United States air freight carriers including Ameriflight, Empire, FedEx, Kalitta, UPS, and West Air.

Located in the heart of the San Fernando Valley, VNY ranks as one of the world’s busiest general aviation airports. Dedicated to noncommercial air travel, VNY averages over 270,000 takeoffs and landings annually. It occupies approximately 730 acres and is located 20 miles northwest of downtown Los Angeles in the San Fernando Valley. More than 100 businesses located at the airport cater to a variety of private, government and corporate aviation needs.



## Economic Condition and Outlook

The financial condition of LAWA is primarily dependent upon the demand for air transportation within the geographical area served by LAX, ONT and VNY. Passenger and cargo traffic at the airports depends upon the demographic characteristics and economic activity of the Air Trade Area.

According to the Los Angeles County Economic Development Corporation (LADEC) 2014-2015 economic forecast, the general economic outlook is solid with modest growth and continuing improvement in the labor markets. In Los Angeles County, the largest job gains are expected in health care and social assistance, leisure and hospitality, professional, scientific and technical services, administrative and support services, and construction. In Orange County, the strong economic growth and demographic pressures are expected to push new home construction higher, and as a result, the largest job gains are expected to be in construction, professional, scientific and technical services, and manufacturing. The Ventura County economy will advance broadly over the next two years with major job gains in leisure and hospitality, health care, and retail trade.

Riverside and San Bernardino Counties (the Inland Empire) have placed an emphasis on their current and future role as the transportation and distribution center to Southern California and the nation. The Inland Empire's transportation, logistics and distribution industries benefit from the nation's strong economic growth and increased levels of trade through the San Pedro Bay ports.

The Air Trade Area economy depends largely on the state, national and global economy. In California, even though there is a more positive economy outlook, there are a number of potential issues such as the stability of revenue for the state budget, the high electricity costs due to the state's mandate to obtain 33% of renewable resources by 2020, and the rising health care costs. The nation's economy will continue to be driven forward as conditions improve for both businesses and households. However, as the Federal Government winds down its bond-buying program, interest rates in the United States may increase which could potentially result in slower than expected growth. The slowdown of the Chinese economy and the volatile situation in the Middle East and North Africa continue to be the key risks for the global economy.

## The Airline Industry

LAWA's aviation revenue generation depends, in large part, upon the financial health of the aviation industry. The economic condition of the industry is volatile, and it has undergone significant changes, including mergers, acquisitions, and bankruptcies in recent years. Further, other than the general economic condition as previously discussed, the industry is sensitive to a variety of factors, including (a) the cost and availability of labor, fuel, aircraft, and insurance, (b) currency values, (c) competitive considerations, including airline ticket pricing, (d) traffic and capacity constraints, (e) governmental regulations, including security, taxes, and environmental requirements, (f) labor actions such as strikes and other union activities, and (g) disruptions due to airline incidents, criminal incidents, and acts of war or terrorism.



The International Air Transport Association (IATA) forecasted that the airlines will generate a profit of \$18.0 billion in 2014, up from \$12.7 billion in 2013 as a result of improvements to the industry's structure and efficiency. The forecast may be hindered by the growth in emerging markets and high fuel costs.

Meanwhile, passenger traffic at LAX has shown encouraging growth of 5.9% in fiscal year 2014 as compared to the prior fiscal year. Passenger traffic at ONT showed an increase of 1.8% between January and June 2014 versus 2013, but still declined 3.4% in fiscal year 2014 compared to the prior fiscal year. Passenger and other traffic activity highlights during the last three fiscal years are discussed in the MD&A.

LAWA's airports are powerful economic engines for Southern California and vital to the economies of their surrounding communities. In 2012, LAEDC completed an economic impact analysis, which determined that there are 29,100 jobs on LAX property and 22,450 jobs in the LAX-adjacent area. These jobs are a result of the operational activity at LAX and do not include the current modernization program. LAEDC's 2011 economic impact analysis reported LAX operations generated 294,400 jobs in Los Angeles County and additional 19,400 jobs in neighboring counties, with labor income of \$13.6 billion and an economic output of more than \$39.7 billion. This activity added \$2.5 billion to local and state revenues. The LAEDC presented its "2011 Corporate Eddy Award" to LAWA for this demonstration of exceptional contribution to positive economic development in the region.

## Initiatives and Developments

LAWA's overall mission is to operate and develop first class, customer-friendly, safe and secure airport facilities that serve as the Los Angeles Region's travel and trade gateways to the world.

In order to fulfill this mission, LAWA is committed to ensure ongoing and enhanced safety, security, and efficiency in the design and operation of all LAWA airports; modernizing aeronautical facilities to best accommodate the evolving airline fleet; investing in transportation and landside facilities to improve passenger access; and investing to modernize airfields to meet federal regulatory requirements that will safely and efficiently accommodate the aircraft of today and the foreseeable future.

LAWA is in the midst of a multi-billion dollar capital improvements program at LAX, projected to last through 2019. The LAX modernization program consists of more than 20 individual projects and is considered to be the largest public works program in the history of the City of Los Angeles. Begun in 2006, the overall program covers more than \$4 billion in various projects, and is creating nearly 40,000 construction-related jobs with an economic impact of close to \$7 billion. The centerpiece of the program is the Bradley West Project (within the Tom Bradley International Terminal), which includes new aircraft gates and concourse areas, and a Great Hall for premier dining and shopping. Additionally, there are several major airfield and facility projects underway, including a new Central Utility Plant, new taxiways, taxilanes, and modernization and upgrades to other terminals.



Below are LAWA's major ongoing modernization projects:

### **Bradley West**

This \$1.6 billion Bradley West project will provide greater capacity to the Tom Bradley International Terminal (TBIT) with a total of 18 new gates, 9 of which will comfortably accommodate passenger loads for new-generation A-380 aircraft simultaneously with three boarding bridges, and a Great Hall for premier dining and shopping. Upon completion, this project will provide 1,179,000 of usable square feet, with the capacity to process 4,500 passengers per hour. Also, the New TBIT retail program blends many of the world's best known luxury designer brands with a distinctly Los Angeles favor. A \$79.8 million dining and retail investment by Westfield Concession Management, LLC and a \$25 million investment by Duty Free Shop offer travelers an exciting array of shopping choices in news and gifts, specialty retail, and duty free shopping.

The first phase of this project, which encompassed the gates of the west side of the terminal, the Great Hall, and expanded Transportation Security Administration's (TSA) customs and immigration screening area, was completed in fall 2013. Phase two, encompassing the east gates, expanded areas for TSA's passenger security screening, airline lounges and other elements, is scheduled to be fully completed by 2015.

The Bradley West project is creating 4,000 construction-related jobs during the project's multi-year construction schedule, with 90 percent of the construction workforce comes from Southern California, and 40 percent of the workers are residents of the City of Los Angeles and other communities near LAX. This project will create nearly 2,000 permanent concession jobs, adding to the existing 3,000 airline, concessions, service providers, TSA's security and customs, immigration, and airport operations employees in the current terminal. According to the LAEDC, every daily round-trip overseas flight on a wide-body aircraft at LAX generates \$623 million annually and provides 3,120 local jobs to the regional economy.

The Bradley West project has garnered awards for architecture, engineering, construction management. These include the Gold Award in Commercial Real Estate for "Best Public Project" from the Los Angeles Business Journal in 2013, the American Institute Architects/Los Angeles Presidential Award for "Building Team of the Year: LAX Tom Bradley International Terminal/CTA Renovation Phase I" in 2013, and the Best Concessions Program Design, Large Airport Division, for the concessions program in TBIT from the Airport Revenue News in 2014.

The project also addresses LAWA's goal for a "greener" LAX. In accordance with LAWA's sustainable Design and Construction Guidelines, this project optimizes the use of recycled building materials, minimizes the amount of energy used during construction, and optimizes energy efficiency. The architecture and construction of the new facilities are designed to achieve a Leadership in Energy and Environmental Design (LEED) Silver certification from the U.S. Green Building Council.



### **Central Utility Plant Replacement**

This \$438 million project will replace the 50-year old existing Central Utility Plant (CUP) with a modern, energy efficient facility with state-of-the-art computerized management and control systems. The new CUP will be 60% more efficient in producing chilled water and 25% more energy efficient in heating and cooling all LAX terminals than the aging facility. It will enhance passenger comfort and reliability of utility service and safety within the newly renovated and modernized terminals. Phase one of this project consists of the CUP facility and its major systems, as well as all piping and electricity distribution, was completed in fall 2014. Phase two of this project includes the demolition of the old CUP facility, construction of thermal energy storage tank, and new maintenance facilities.

### **Escalator, Elevator, and Moving Walkway Modernization**

This \$245 million project will replace and refurbish over 200 outdated systems with new energy saving, modern units throughout the airport. New escalators, elevators, and walkways will speed travelers to their gates and baggage claim areas in a safe and efficient manner with energy saving, sustainable technology.

### **Terminal 1 Renovation**

This \$500 million renovation and modernization project will transform the entire passenger experience from the curb to the gate in Terminal 1. The project includes a new 12-lane security screening checkpoint, a fully automated checked baggage inspection and sorting system, a new and expanded dining and retail collection featuring newly designed gate hold rooms with lounge-style seating, refurbished arrival/baggage claim area, replacement of the passenger boarding bridges, renovations to airline support office space, modernized aircraft parking pavement and hydrant fueling system, improvements to the building façade, and relocation of the main terminal entrances to the west end of the building to ease traffic congestion.

### **Terminal 2 Renovation**

This \$300 million improvement project in Terminal 2 is designed to improve the level of service and appearance of the 30-year old building, and it will include major upgrades to the ticket lobby, baggage screening, baggage claim area, concourse areas and upgrades of all electrical, mechanical and telecom systems that serve the terminal.

### **Terminal 4 Connector**

This \$115 million project consists of the design and construction of a multi-use, multi-level facility providing a secure connection between the TBIT and Terminal 4. The Terminal 4 Connector will make it easier for passengers to make connecting flights out of different terminals. The new space will include a checked baggage inspection system, south matrix interline baggage transfer facility, and a five-lane passenger security screening checkpoint.



## **Terminal 5 Renovation**

This \$250 million renovation and modernization project in Terminal 5 will improve passenger service and security with a new in-line baggage-screening system, as well as expansion and streamlining of the TSA's passenger screening checkpoints and international passenger processing facilities, a new baggage claim facility, new elevators and escalators, and new passenger amenities such as lounges and dining options.

## **Terminal 7 Renovation**

This \$425 million renovation and modernization project will improve passenger security screening checkpoint, install a new in-line checked baggage inspection screening system and baggage sorting system, renovate passenger waiting areas, refurbish the arrival/baggage claim area, replace passenger boarding bridges and construct a new premium passenger lounge.

## **Midfield Satellite Concourse Program**

The Midfield Satellite Concourse (MSC) includes a new passenger concourse facility approved as part of the LAX Master Plan in 2004. The MSC facility will be located in the central area of the airfield, west of TBIT. The MSC program also includes a Central Terminal Processor, conveyance systems for passengers and baggage, and new taxiways, taxilanes and airport aprons. The MSC program will permit greater flexibility in scheduling improvements at other facilities without disrupting day to day airline operations, reduce reliance on remote gates, and ensure a high level of service for LAX passengers during modernization upgrades. The MSC program will be developed in two phases. Phase one of the MSC program is the construction of the northern portion of the multi-story MSC facility and associated improvements. The MSC north project is intended to improve the terminal operations, concession facilities, and overall passenger experience at LAX.

## **CCTV System and Camera Coverage Enhancement**

This \$48 million project will install new digital video management and video storage system (VMS/VSS) to replace the existing analog VNET system. It will complete the VMS configuration with enhanced stakeholder requirements and install 400 new IP cameras in terminals, approximately 150 new IP cameras in exterior locations and replace 350 existing analog cameras. The additional camera coverage and upgraded technology will facilitate more comprehensive security monitoring.

## **VNY Runway 16R Rehabilitation**

This \$18.5 million project will rehabilitate Runway 16R at VNY. Runway 16R/34L is 8,000 feet long and the primary runway of VNY. The second phase of pavement rehabilitation of Taxilane A2 at VNY was completed in 2013. Completion of the project will bring the runway to FAA standards while mitigating operational impacts to tenants and other users of the airport.



## **ONT Runway Safety Area Improvement**

This \$3.8 million project will provide a FAA standard Runway Safety Area (RSA). The improvements consist of regrading portions of the RSA, relocating portions of the service roads at perimeter service area gates, and extending the concrete cover on top of the West Cucamonga Channel. Additionally, portions of impacted areas will require perimeter fencing realignment. The construction is 77% complete.

## **Outlook for the Future**

Operating revenues for fiscal year 2015 are projected to increase by 9.2%, driven primarily by recovery of increased levels of airfield and terminal debt service through landing fees, building rents and increased concession revenue. The newly implemented advertising, duty free and other concession agreements, along with increased level of passenger traffic, are also expected to contribute to greater terminal concession and ground transportation revenues.

The largest portion of LAWA's operating expenses consists of salaries, fringe benefits and other related payroll expenses. Management does not anticipate a material change in the number of employees, however, expenses associated with cost-of-living adjustments, pension contributions, and healthcare costs are expected to increase in the ensuing years. Management continues to exercise fiscal prudence from each LAWA division in administering the operating budget. The unrestricted net position, together with other fund sources such as operating revenue, debt proceeds, and grant receipts, will balance the subsequent fiscal year's budget as well as maintain projected reserves.

## **Internal Control Framework**

LAWA's internal control framework is designed to provide reasonable but not absolute assurance regarding: (a) safeguarding of assets against loss from unauthorized use or disposition; (b) execution of transactions in accordance with management's authorization; (c) reliability of financial records used in preparing financial statements and maintaining accountability for assets; (d) effectiveness and efficiency of operations; and (e) compliance with applicable laws and regulations. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived from it, and that the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above structure. We believe that LAWA's internal control framework adequately safeguards assets and provides reasonable assurance of proper recording of financial transactions.





## Budgetary Control

The annual operating budget is proposed by LAWA's management and adopted by the Board in a public meeting before the beginning of each fiscal year. The level of budgetary control (the level at which expenditures may not exceed appropriations) is by commitment item within each airport. The commitment items are salaries and benefits, contractual services, administrative services, materials and supplies, utilities, advertising and public relations, other operating expenses, and equipment and vehicles.

## Independent Audit

Macias Gini & O'Connell LLP (MGO), a firm of independent certified public accountants, audited LAWA's financial statements. MGO concluded, based upon its audit, that there was a reasonable basis for rendering an unmodified opinion that LAWA's financial statements as of and for the fiscal years ended June 30, 2014 and 2013, were fairly presented in conformity with GAAP. MGO's report is on pages 1 and 2.

MGO conducted an additional audit to determine LAWA's compliance with the requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* and concluded that LAWA complied in all material respects with the requirements that could have a material effect on its passenger facility charge program for the fiscal year ended June 30, 2014. MGO's report is on pages 111 and 112.

MGO also conducted a third audit to determine LAWA's compliance with the requirements described in the *California Civil Code Section 1936, as amended by Senate Bill 1192 and Assembly Bill 359*, and concluded that LAWA complied in all material respects with the requirements that could have a material effect on its customer facility charge program for the fiscal year ended June 30, 2014. MGO's report is on pages 117 and 118.

As a recipient of federal grants, LAWA is required to undergo an additional audit to meet the requirements of the Federal Single Audit Act of 1996 and related Office of Management and Budget Circular A-133. The results of the Single Audit performed by MGO is issued in a separate report.

## Award

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to LAWA for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2013. This was the third consecutive year that LAWA has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement program requirements and we are submitting it to GFOA to determine its eligibility for another certificate.



## Acknowledgement

Publication of this CAFR is a reflection of the excellence and professionalism of LAWA's entire staff. The dedicated service and efforts of the Financial Reporting Division made the preparation of this report possible. The assistance and contribution of other LAWA staff should also be acknowledged as well.

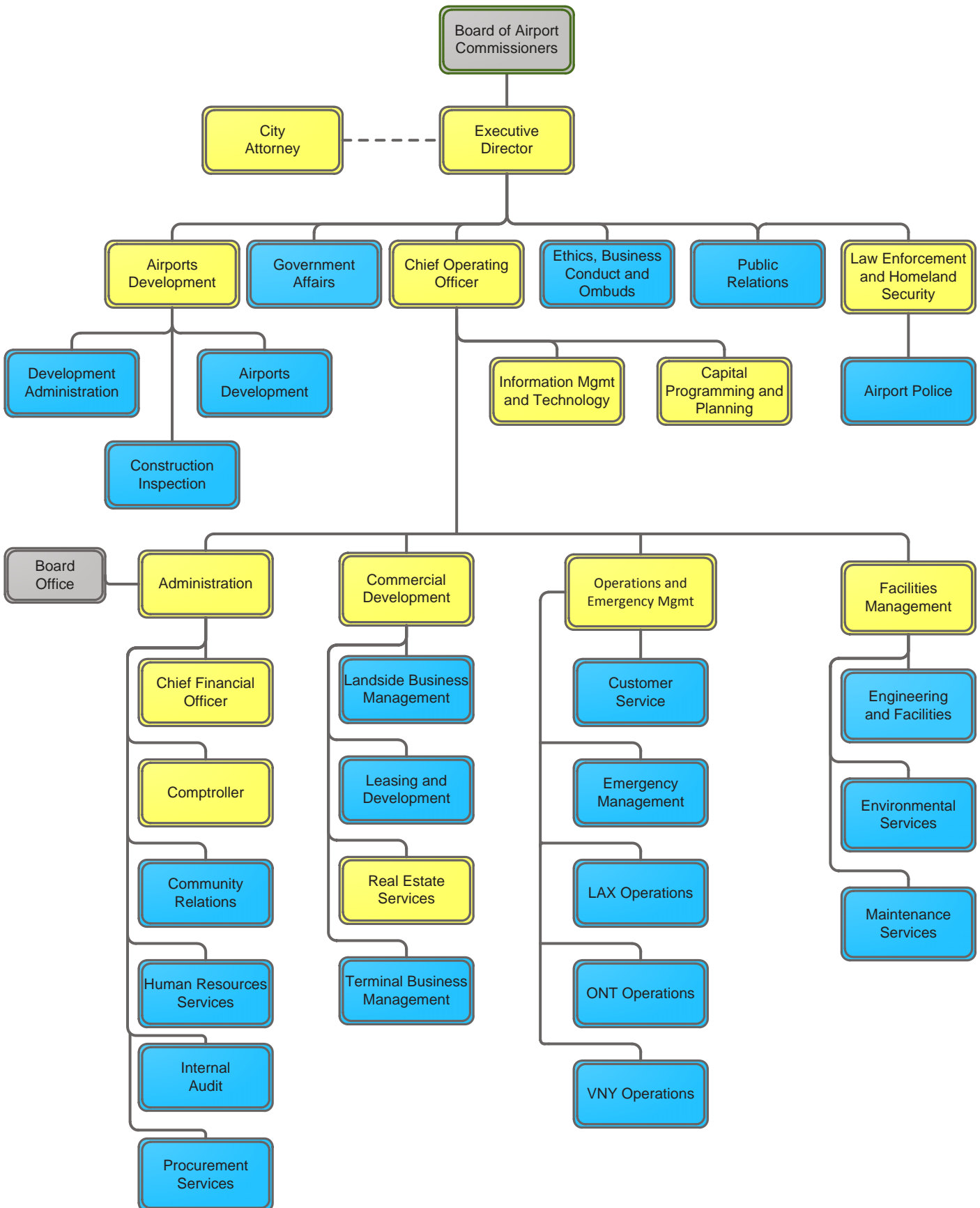
Respectfully submitted,

Gina Marie Lindsey  
Executive Director

Ryan P. Yakubik  
Chief Financial Officer



# Organization of the Los Angeles World Airports



**Board of Airport Commissioners, Elected City Officials, and Los Angeles World Airports  
Executive Staff**



Sean O. Burton  
President



Valeria C. Velasco  
Vice President



Gabriel L. Eshaghian  
Commissioner



Jackie Goldberg  
Commissioner



Beatrice C. Hsu  
Commissioner



Matthew M. Johnson  
Commissioner



Cynthia A. Telles  
Commissioner



Gina Marie Lindsey  
Executive Director

**CITY OF LOS ANGELES ELECTED OFFICIALS**

Eric Garcetti, Mayor  
Mike Feuer, City Attorney  
Ron Galperin, City Controller

**CITY COUNCIL**

Herb J. Wesson, Jr., President, District 10  
Mitchell Englander, President Pro Tempore, District 12  
Tom LaBonge, Assistant President Pro Tempore, District 4

Gilbert A. Cedillo, District 1  
Paul Krekorian, District 2  
Bob Blumenfield, District 3  
Paul Koretz, District 5

Nury Martinez, District 6  
Felipe Fuentes, District 7  
Bernard C. Parks, District 8  
Curren D. Price, Jr., District 9

Mike Bonin, District 11  
Mitch O'Farrell, District 13  
José Huizar, District 14  
Joe Buscaino, District 15

**LOS ANGELES WORLD AIRPORTS EXECUTIVE STAFF**

Gina Marie Lindsey, Executive Director  
Stephen Martin, Chief Operating Officer

Debbie Bowers, Deputy Executive Director, Commercial Development  
Cynthia Guidry, Deputy Executive Director, Capital Programming and Planning  
Roger Johnson, Deputy Executive Director, Airports Development  
Samson Mengistu, Deputy Executive Director, Administration  
Dominic Nessi, Deputy Executive Director, Information Management and Technology  
Patrick Gannon, Deputy Executive Director, Law Enforcement and Homeland Security  
Wei Chi, Deputy Executive Director, Comptroller  
Ted Maslin, Deputy Executive Director, Real Estate Services  
David Shuter, Deputy Executive Director, Facilities Engineering and Maintenance  
Jacqueline Yaft, Deputy Executive Director, Operations and Emergency Management  
Ryan Yakubik, Chief Financial Officer  
Raymond Ilgunas, General Counsel



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Los Angeles World Airports  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2013**

Executive Director/CEO

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WELCOME  
2014 COMPREHENSIVE ANNUAL FINANCIAL REPORT

# Financial Section



# Financial Section Contents

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- INDEPENDENT AUDITOR'S REPORT
- MANAGEMENT'S DISCUSSION AND ANALYSIS
- FINANCIAL STATEMENTS
- SUPPLEMENTAL INFORMATION



## INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Airport Commissioners  
City of Los Angeles, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the Los Angeles World Airports (Department of Airports of the City of Los Angeles, California) (LAWA), an Enterprise Fund of the City of Los Angeles (City), as of and for the fiscal years ended June 30, 2014 and 2013, and the related notes to the financial statements, as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LAWA as of June 30, 2014 and 2013, and the changes in its financial position and its cash flows for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

### Emphasis of Matters

#### Basis of Presentation

As discussed in Note 1, the financial statements of LAWA are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the business-type activities and each major fund of the City that is attributable to the transactions of LAWA. They do not purport to, and do not, present fairly the financial position of the City as of June 30, 2014 and 2013, the changes in its financial position, or, where applicable, its cash flows for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

#### Change in Accounting Principles

As described in Note 2, effective July 1, 2012, LAWA adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. As a result of the retroactive application of GASB Statement No. 65, LAWA restated the beginning net position at July 1, 2012 by \$22.8 million to write off unamortized bond issuance costs previously reported as an asset and reclassified the unamortized loss on refunding in the amount of \$2.8 million from a contra liability account to deferred outflow of resources. In addition, LAWA has also written off bond issuance costs included in the deferred amounts related to the 2012 Series Bonds in the amount of \$2.0 million during fiscal year 2013. Our opinion is not modified with respect to this matter.



# Independent Auditor's Report (continued)

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 to 27 be presented to supplement the financial statements. Such information, although not part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audits of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements of LAWA. The accompanying introductory section, supplemental information, statistical section, compliance section and other information section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The accompanying combining schedules on pages 70 to 75; Schedule of Passenger Facility Charge Revenues and Expenditures and accompanying notes on pages 113 to 116; and Schedule of Customer Facility Charge Revenues and Expenditures and accompanying notes on pages 119 to 121 (collectively Information) are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Information is fairly stated in all material respects in relation to the financial statements as a whole.

The accompanying introductory section on pages i to xiii, statistical section on pages 77 to 110 and other information section on page 123 have not been subjected to the auditing procedures applied in the audits of the financial statements and accordingly, we do not express an opinion or provide any assurance on them.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2014, on our consideration of LAWA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the fiscal year ended June 30, 2014. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LAWA's internal control over financial reporting and compliance.

*Macias Gini & O'Connell LLP*

Los Angeles, California  
November 4, 2014



2014 COMPREHENSIVE ANNUAL FINANCIAL REPORT

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# Management's Discussion and Analysis

# Management's Discussion and Analysis

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# Los Angeles World Airports

(Department of Airports of the City of Los Angeles, California)

## Management's Discussion and Analysis (Unaudited)

June 30, 2014 and 2013

Los Angeles World Airports (LAWA) is an independent, fiscally self-sufficient department of the City of Los Angeles, California (City). LAWA is an enterprise fund that owns and operates Los Angeles International Airport (LAX), LA/Ontario International Airport (ONT), and Van Nuys Airport (VNY). Under a lease agreement, LAWA operated Palmdale Regional Airport (PMD) until February 2009. Subsequent to the discontinuance of operations of PMD, LAWA returned its certification to operate the airport to the Federal Aviation Administration. In March 2013, the Board of Airport Commissioners terminated the joint use agreement with the United States Air Force (USAF) and reassigned the lease to the City of Palmdale. LAWA owns approximately 17,750 acres of land located east of USAF Plant 42 in the City of Palmdale. LAWA retains the rights for future development of the Palmdale property.

The management of LAWA presents the following narrative overview of LAWA's financial activities for the fiscal years ended June 30, 2014 and 2013. This discussion and analysis should be read in conjunction with LAWA's financial statements that begin on page 29.

### Using This Financial Report

LAWA's financial report consists of this management's discussion and analysis (MD&A), and the financial statements that follow after the MD&A. The financial statements include:

The *Statements of Net Position* present information on all of LAWA's assets, deferred outflows of resources, liabilities, and deferred inflows of resources at June 30, 2014 and 2013. The difference between (a) assets and deferred outflows of resources, and (b) liabilities and deferred inflows of resources was reported as net position. Over time, increases and decreases in net position may serve as a useful indicator about whether LAWA's financial condition is improving or deteriorating.

The *Statements of Revenues, Expenses, and Changes in Net Position* present the results of LAWA's operations and information showing the changes in net position for the fiscal years ended June 30, 2014 and 2013. These statements can be useful indicators of how LAWA recovered its costs through rates and charges. All changes in net position were reported when the underlying events occurred, regardless of the timing of the related cash flows. Thus, revenues and expenses were recorded and reported in these statements for some items that will result in cash flows in future periods.

The *Statements of Cash Flows* relate to the inflows and outflows of cash and cash equivalents resulting from operating, noncapital financing, capital and related financing, and investing activities. Consequently, only transactions that affect LAWA's cash and cash equivalents accounts were recorded in these statements. At the end of the statements, a reconciliation is provided to assist in understanding the difference between operating income and cash flows from operating activities.

The *Notes to the Financial Statements* present information that is not displayed on the face of the financial statements. Such information is essential to a full understanding of LAWA's financial activities.



**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2014 and 2013**  
(continued)

**Passenger and Other Traffic Activity Highlights**

The following tables present a summary of passenger and other traffic at LAX and ONT for the last three fiscal years:

**Los Angeles International Airport**

	FY 2014	FY 2013	FY 2012	% Change	
				FY 2014	FY 2013
Total passengers	68,786,455	64,969,102	62,930,683	5.9%	3.2%
Domestic passengers	50,162,524	47,641,025	45,957,270	5.3%	3.7%
International passengers	18,623,931	17,328,077	16,973,413	7.5%	2.1%
Departing passengers	34,333,784	32,524,178	31,519,124	5.6%	3.2%
Arriving passengers	34,452,671	32,444,924	31,411,559	6.2%	3.3%
Passenger flight operations					
Departures	286,725	273,193	276,980	5.0%	-1.4%
Arrivals	286,627	273,297	277,083	4.9%	-1.4%
Landing weight (thousand lbs)	52,572,657	50,206,827	49,997,632	4.7%	0.4%
Air cargo (tons)					
Mail	76,784	81,953	90,450	-6.3%	-9.4%
Freight	1,852,760	1,863,891	1,828,409	-0.6%	1.9%

**LA/Ontario International Airport**

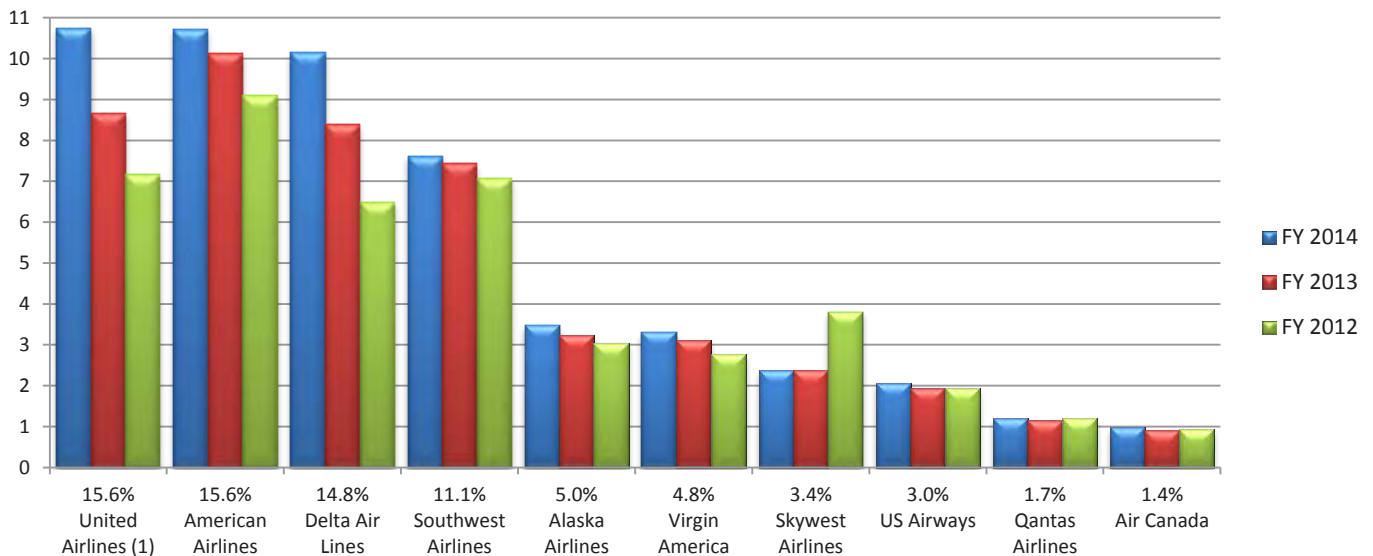
	FY 2014	FY 2013	FY 2012	% Change	
				FY 2014	FY 2013
Total passengers	4,005,540	4,148,398	4,406,042	-3.4%	-5.8%
Domestic passengers	3,932,996	4,095,109	4,340,032	-4.0%	-5.6%
International passengers	72,544	53,289	66,010	36.1%	-19.3%
Departing passengers	2,002,759	2,076,333	2,209,070	-3.5%	-6.0%
Arriving passengers	2,002,781	2,072,065	2,196,972	-3.3%	-5.7%
Passenger flight operations					
Departures	21,336	22,025	23,606	-3.1%	-6.7%
Arrivals	21,443	22,035	23,637	-2.7%	-6.8%
Landing weight (thousand lbs)	4,675,640	4,901,055	5,083,044	-4.6%	-3.6%
Air cargo (tons)					
Mail	15,033	18,297	17,659	-17.8%	3.6%
Freight	449,369	436,788	429,571	2.9%	1.7%



## Passenger Traffic

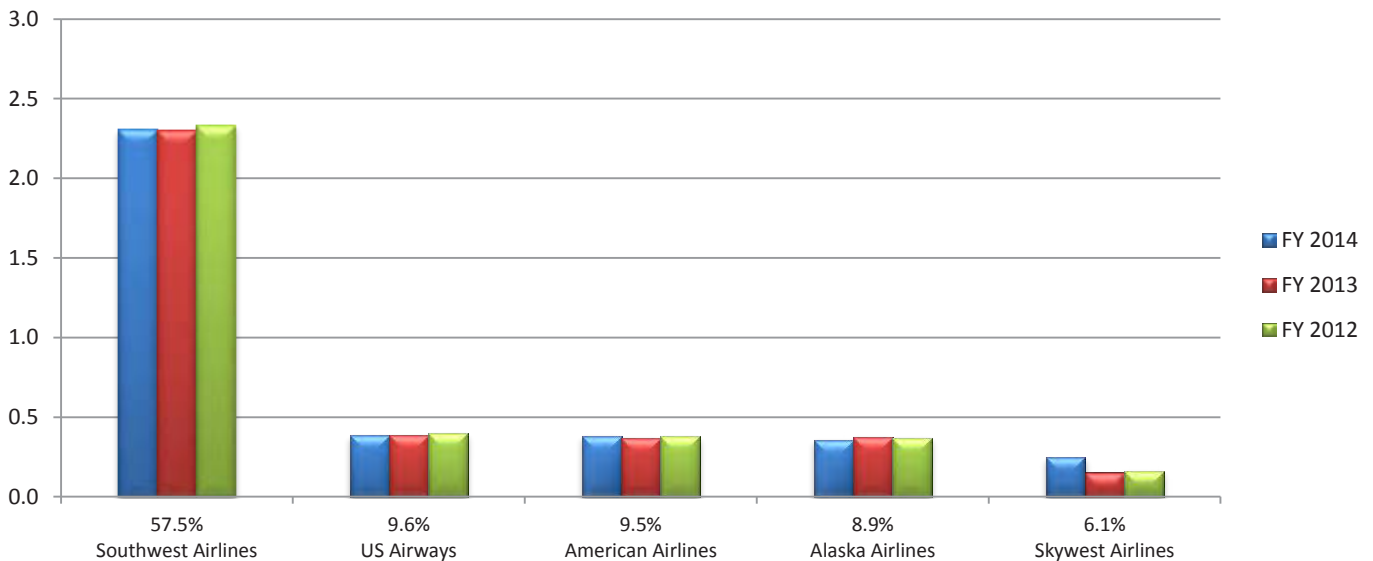
The following charts present the top ten airlines at LAX and top five airlines at ONT by number of passengers for fiscal year 2014 and the comparative passengers for fiscal years 2013 and 2012.

### LAX- FY 2014 Top Ten Carriers and Percentage of Market Share (passengers in millions)



(1) Continental Airlines merged into United Airlines in early 2014.

### ONT- FY 2014 Top Five Carriers and Percentage of Market Share (passengers in millions)





## Management's Discussion and Analysis (Unaudited)

June 30, 2014 and 2013

(continued)

### Passenger Traffic, Fiscal Year 2014

Passenger traffic at LAX increased by 5.9% in fiscal year 2014 as compared to fiscal year 2013. Of the 68.8 million passengers that moved in and out of LAX, domestic passengers accounted for 72.9%, while international passengers accounted for 27.1%. United Airlines and American Airlines ferried the largest number of passengers at 10.7 million each. United Airlines posted an increase of 24.0% from the prior fiscal year after merging with Continental Airlines in early 2014. Delta Air Lines, ranked third with 10.2 million passengers posted a 21.2% increase in passenger traffic. Southwest Airlines (7.6 million) and Alaska Airlines (3.5 million) complete the top five air carriers operating at LAX. Qantas Airlines was the top foreign flag carrier with 1.2 million passengers and was ranked ninth overall.

Passenger traffic at ONT declined at a slower pace than the prior year. In fiscal year 2014, there were 4.0 million passengers compared to 4.1 million in fiscal year 2013, a 3.4% decrease. Of the 4.0 million passengers, domestic passengers accounted for 98.2%, while international passengers accounted for 1.8%. International passengers increased by 36.1% in fiscal year 2014 as compared to fiscal year 2013. Southwest Airlines ferried the largest number of passengers at 2.3 million, which was at a similar passenger level to fiscal year 2013.

### Passenger Traffic, Fiscal Year 2013

Passenger traffic at LAX increased by 3.2% in fiscal year 2013 as compared to fiscal year 2012. Of the 65.0 million passengers that moved in and out of LAX, domestic passengers accounted for 73.3%, while international passengers accounted for 26.7%. American Airlines ferried the largest number of passengers at 10.1 million. Delta Air Lines, ranked third with 8.4 million passengers posted a 29.2% increase in passenger traffic. United Airlines (8.7 million), Southwest Airlines (7.4 million), and Alaska Airlines (3.2 million) complete the top five air carriers operating at LAX. Qantas Airlines was the top foreign flag carrier with 1.2 million passengers and was ranked tenth overall.

Passenger traffic at ONT continued to decline. In fiscal year 2013, there were 4.1 million passengers compared to 4.4 million in fiscal year 2012, a 5.8% decrease. Of the 4.1 million passengers, domestic passengers accounted for 98.7%, while international passengers accounted for 1.3%. Southwest Airlines ferried the largest number of passengers at 2.3 million, a decrease of 1.2% from fiscal year 2012.

### Flight Operations, Fiscal Year 2014

Departures and arrivals at LAX had an increase of 26,862 flights or 4.9% during fiscal year 2014 when compared to fiscal year 2013. Scheduled and charter were up 41,852 flights, while commuter flights were down 14,990. Revenue landing pounds were up 4.7%. The top three carriers in terms of landing pounds were American Airlines, Delta Air Lines, and United Airlines. In total, these three airlines contributed 38.5% of the total revenue pounds at LAX.

Departures and arrivals at ONT had a decrease of 1,281 flights or 2.9% during fiscal year 2014 when compared to fiscal year 2013. Revenue landing pounds were down 4.6%. United Parcel Service and Southwest Airlines were the top two carriers in terms of landing pounds. Together, these two airlines contributed 66.22% of the total revenue pounds at ONT.





## Flight Operations, Fiscal Year 2013

Departures and arrivals at LAX had a decrease of 7,573 flights or 1.4% during fiscal year 2013 when compared to fiscal year 2012. Scheduled and charter were up 40,004 flights, while commuter flights were down 47,577. Revenue landing pounds were slightly up 0.4%. The top three carriers in terms of landing pounds were American Airlines, Delta Air Lines, and United Airlines. In total, these three airlines contributed 34.9% of the total revenue pounds at LAX.

Departures and arrivals at ONT had a decrease of 3,183 flights or 6.7% during fiscal year 2013 when compared to fiscal year 2012. Revenue landing pounds were down 3.6%. United Parcel Service and Southwest Airlines were the top two carriers in terms of landing pounds. Together, these two airlines contributed 64.9% of the total revenue pounds at ONT.

## Air Cargo Operations, Fiscal Year 2014

Mail and freight cargo at LAX decreased by 0.8% in fiscal year 2014 as compared to fiscal year 2013. Freight and mail were down by 11,131 tons and 5,169 tons, respectively. Domestic cargo was down by 8,972 tons or 1.1% and international cargo was down by 7,328 tons or 0.6%. Federal Express was the top air freight carrier accounting for 19.4% of total freight cargo, followed by American Airlines with 5.0%. United Airlines was the top mail carrier accounting for 31.5% of total mail cargo.

Mail and freight cargo at ONT had an increase of 2.0% in fiscal year 2014 as compared to fiscal year 2013. Mail was down 3,264 tons while freight was up 12,581 tons. United Parcel Service was the top mail and freight carrier accounting for 71.2% of total cargo.

## Air Cargo Operations, Fiscal Year 2013

Mail and freight cargo at LAX increased by 1.4% in fiscal year 2013 as compared to fiscal year 2012. Freight was up 35,099 tons while mail was down 8,497 tons. Domestic cargo was higher by 7,047 tons or 0.9% while international cargo was higher by 19,555 tons or 1.8%. Federal Express was the top air freight carrier accounting for 20% of total freight cargo, followed by American Airlines with 4.8%. Delta Air Lines was the top mail carrier accounting for 25.3% of total mail cargo.

Mail and freight cargo at ONT had an increase of 1.8% in fiscal year 2013 as compared to fiscal year 2012. Mail was up 638 tons while freight was up 7,217 tons. United Parcel Service was the top mail and freight carrier accounting for 71.0% of total cargo.



## Management's Discussion and Analysis (Unaudited)

### June 30, 2014 and 2013

(continued)

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## Overview of LAWA's Financial Statements

### Financial Highlights, Fiscal Year 2014

- LAWA's assets exceeded liabilities at June 30, 2014 by \$4.8 billion.
- Bonded debt of LAWA had a net increase of \$190.2 million.
- Operating revenue totaled \$1,038.5 million.
- Operating expenses (including depreciation and amortization of \$166.0 million) totaled \$845.8 million.
- Net non-operating revenue was \$66.0 million.
- Federal grants totaled \$32.7 million.
- Net position increased by \$291.4 million.

### Financial Highlights, Fiscal Year 2013

- LAWA's assets exceeded liabilities at June 30, 2013 by \$4.6 billion.
- Bonded debt of LAWA had a net increase of \$212.7 million.
- Operating revenue totaled \$946.8 million.
- Operating expenses (including depreciation and amortization of \$159.7 million) totaled \$824.8 million.
- Net non-operating revenue was \$77.3 million.
- Federal grants totaled \$18.0 million.
- Net position increased by \$194.6 million (including change in accounting principle of \$(22.8) million).



## Net Position Summary

A condensed summary of LAWA's net position for fiscal years 2014, 2013, and 2012 is presented below:

### Condensed Net Position (amounts in thousands)

	FY 2014	FY 2013	FY 2012	FY 2014 increase (decrease)	FY 2013 increase (decrease)
<b>Assets</b>					
Unrestricted current assets	\$ 773,686	\$ 751,416	\$ 835,785	\$ 22,270	\$ (84,369)
Restricted current assets	1,741,540	1,698,879	2,352,742	42,661	(653,863)
Capital assets, net	6,938,565	6,385,858	5,331,736	552,707	1,054,122
Other noncurrent assets	18,932	21,702	45,437	(2,770)	(23,735)
<b>Total assets</b>	<b>9,472,723</b>	<b>8,857,855</b>	<b>8,565,700</b>	<b>614,868</b>	<b>292,155</b>
<b>Deferred outflows of resources</b>					
Deferred charges on debt refunding	2,581	2,795	--	(214)	2,795
<b>Liabilities</b>					
Current liabilities payable from unrestricted assets	414,285	274,859	382,293	139,426	(107,434)
Current liabilities payable from restricted assets	116,999	102,125	110,482	14,874	(8,357)
Noncurrent liabilities	4,102,171	3,933,194	3,717,043	168,977	216,151
<b>Total liabilities</b>	<b>4,633,455</b>	<b>4,310,178</b>	<b>4,209,818</b>	<b>323,277</b>	<b>100,360</b>
<b>Net Position</b>					
Net investment in capital assets	3,089,235	2,691,560	2,407,904	397,675	283,656
Restricted for debt service	334,396	316,249	388,458	18,147	(72,209)
Restricted for capital projects	944,200	937,398	937,355	6,802	43
Restricted for operations and maintenance reserve	178,598	173,101	175,543	5,497	(2,442)
Restricted for federally forfeited property and protested funds	1,313	1,117	1,141	196	(24)
Unrestricted	294,107	431,047	445,481	(136,940)	(14,434)
<b>Total net position</b>	<b>\$ 4,841,849</b>	<b>\$ 4,550,472</b>	<b>\$ 4,355,882</b>	<b>\$ 291,377</b>	<b>\$ 194,590</b>



## Management's Discussion and Analysis (Unaudited)

June 30, 2014 and 2013

(continued)

### Net Position, Fiscal Year 2014

As noted earlier, net position may serve as a useful indicator of LAWA's financial condition. At the close of fiscal years 2014 and 2013, LAWA's assets exceeded liabilities by \$4.8 billion and \$4.6 billion, respectively, representing a 6.4% increase or \$291.4 million.

The largest portion of LAWA's net position (\$3.1 billion or 63.8%) reflects its investment in capital assets (e.g. land, air easements, buildings, improvements, equipment and vehicles) less depreciation and any related outstanding debt used to acquire those assets. An additional portion of LAWA's net position (\$1.5 billion or 30.1%) represents resources that are subject to various restrictions on how they may be used. The remaining balance of \$294.1 million (6.1%) may be used to meet LAWA's ongoing obligations.

Unrestricted current assets increased by 3.0%, from \$751.4 million at June 30, 2013 to \$773.7 million at June 30, 2014. Unrestricted current assets consist primarily of cash and pooled investments (including reinvested cash collateral in 2014) held in the City Treasury. Cash inflows were more than outflows during the fiscal year. Unrestricted cash inflows were from operating activities, investment activities, non-capital grants, and federal grant reimbursements for eligible capital projects. Unrestricted cash outflows were for capital acquisitions and transfers to fiscal agents for debt service.

Restricted current assets include cash and investments (including reinvested cash collateral in 2014) held in the City Treasury for capital projects funded by passenger facility charges (PFCs) and customer facility charges (CFCs). Also included are bond proceeds to be used for capital expenditures as well as bond debt service funds held by fiscal agents. Drawdowns from the amounts held by fiscal agents were used for LAWA capital expenditures incurred at LAX and for bond principal and interest payments. The year-end investment portfolio held by fiscal agents increased by 6.9% from \$561.0 million in fiscal year 2013 to \$599.8 million in fiscal year 2014.

LAWA's capital assets additions are financed through issuance of revenue bonds, grants from federal agencies, PFCs, CFCs, and existing resources. Interim financing of such acquisition may be provided through the issuance of commercial paper notes. Capital assets, net of depreciation, increased by 8.7%. Ongoing construction and improvements to modernize LAX terminals and facilities were the primary reasons for the increase.

The recognition of the current portion of the receivable from the City General Fund of \$2.6 million was the primary reason for the decrease in other noncurrent assets.

Current liabilities payable from unrestricted assets had a net increase of \$139.4 million or 50.7%. This was mainly due to the increase of \$164.5 million, or 102.1% in contracts and accounts payable as a result of the final closeout payment of \$83.3 million and \$62.0 million for the Bradley West Core project and Bradley West Gates project, respectively. The increase was offset by the \$15.9 million decrease in commercial paper and \$9.5 million in unearned revenue recognized during fiscal year 2014.



Current liabilities payable from restricted assets had a net increase of \$14.9 million or 14.6%. The net increase was mainly due to the increase of \$19.4 million, or 34.0% in current maturities of bonded debt and the increase of \$1.2 million in accrued interest payable, offset by the decrease of \$3.1 million in obligations under securities lending transactions and \$3.1 million in LAWA's allocated share of the City Treasury's fiscal year-end pending investment trades, in fiscal year 2014.

The net increase in noncurrent liabilities was \$169.0 million or 4.3%, as a result of additional bond issuances during fiscal year 2014.

### **Net Position, Fiscal Year 2013**

As noted earlier, net position may serve as a useful indicator of LAWA's financial condition. At the close of fiscal years 2013 and 2012, LAWA's assets exceeded liabilities by \$4.6 billion and \$4.4 billion, respectively, representing a 4.5% increase or \$194.6 million.

The largest portion of LAWA's net position (\$2.7 billion or 59.1%) reflects its investment in capital assets (e.g. land, air easements, buildings, improvements, equipment and vehicles) less depreciation and any related outstanding debt used to acquire those assets. An additional portion of LAWA's net position (\$1.4 billion or 31.4%) represents resources that are subject to various restrictions on how they may be used. The remaining balance of \$431.0 million (9.5%) may be used to meet LAWA's ongoing obligations.

Unrestricted current assets decreased by 10.1%, from \$835.8 million at June 30, 2012 to \$751.4 million at June 30, 2013. Unrestricted current assets consist primarily of cash and pooled investments (including reinvested cash collateral in 2013) held in the City Treasury. Cash outflows were more than inflows during the fiscal year. Unrestricted cash inflows were from operating activities, investment activities, non-capital grants, and federal grant reimbursements for eligible capital projects. Unrestricted cash outflows were for capital acquisitions and transfers to fiscal agents for debt service.

Restricted current assets include cash and investments (including reinvested cash collateral in 2013) held in the City Treasury for capital projects funded by PFCs and CFCs. Also included are bond proceeds to be used for capital expenditures as well as bond debt service funds held by fiscal agents. Drawdowns from the amounts held by fiscal agents were used for LAWA capital expenditures incurred at LAX and for bond principal and interest payments. The drawdowns reduced the year-end investment portfolio held by fiscal agents from \$1.2 billion in fiscal year 2012 to \$561.0 million in fiscal year 2013.

LAWA's capital assets additions are financed through issuance of revenue bonds, grants from federal agencies, PFCs, CFCs, and existing resources. Interim financing of such acquisitions may be provided through the issuance of commercial paper notes. Capital assets, net of depreciation, increased by 19.8%. Ongoing construction and improvements to modernize LAX terminals and facilities were the primary reasons for the increase.

The decline in the other noncurrent assets of \$23.7 million was mainly due to the recognition of the current portion of the receivable from the City General Fund of \$0.8 million, together with the write off of \$22.8 million unamortized bond issuance costs at July 1, 2012 .



## Management's Discussion and Analysis (Unaudited)

June 30, 2014 and 2013

(continued)

Current liabilities payable from unrestricted assets had a net decrease of \$107.4 million or 28.1%. This was mainly due to the refinancing of commercial paper notes to longer term bonded obligations and the net settlement of the unrestricted portion of LAWA's allocated share of the City Treasury's fiscal year-end pending investment trades. The recognition of the obligations under securities lending transactions resulted from the resumption of the City Treasury's securities lending program in December 2012, which is further discussed in Note 3 of the notes to the financial statements.

Current liabilities payable from restricted assets had a net decrease of \$8.4 million or 7.6%. The net decrease was mostly due to the restricted portion of LAWA's allocated share of the City Treasury's fiscal year-end pending investment trades. The recognition of the obligations under securities lending transactions resulted from the resumption of the City Treasury's securities lending program in December 2012, which is further discussed in Note 3 of the notes to the financial statements.

The net increase in noncurrent liabilities was \$216.2 million or 5.8%, as a result of additional bond issuances during fiscal year 2013 and a reclassification of \$2.8 million of deferred changes on debt refunding from a contra liability account to deferred outflow of resources pursuant to implementation of GASB Statement No. 65.

### Changes in Net Position Summary

A condensed summary of LAWA's changes in net position for fiscal years ended 2014, 2013, and 2012 is presented below:

#### Condensed Changes in Net Position (amounts in thousands)

	FY 2014	FY 2013	FY 2012	FY 2014 increase (decrease)	FY 2013 increase (decrease)
Operating revenue	\$ 1,038,506	\$ 946,793	\$ 902,157	\$ 91,713	\$ 44,636
Less- Operating expenses	679,861	665,033	657,716	14,828	7,317
Operating income before depreciation and amortization	358,645	281,760	244,441	76,885	37,319
Less- Depreciation and amortization	165,960	159,719	151,654	6,241	8,065
Operating income	192,685	122,041	92,787	70,644	29,254
Other nonoperating revenue, net	66,015	77,344	124,264	(11,329)	(46,920)
Federal grants	32,677	17,972	62,441	14,705	(44,469)
Changes in net position	291,377	217,357	279,492	74,020	(62,135)
Net position, beginning of year, as previously reported	4,550,472	4,355,882	4,076,390	194,590	279,492
Change in accounting principle	--	(22,767)	--	22,767	(22,767)
Net position, beginning of year, as restated	4,550,472	4,333,115	4,076,390	217,357	256,725
Net position, end of year	\$ 4,841,849	\$ 4,550,472	\$ 4,355,882	\$ 291,377	\$ 194,590



## Operating Revenue

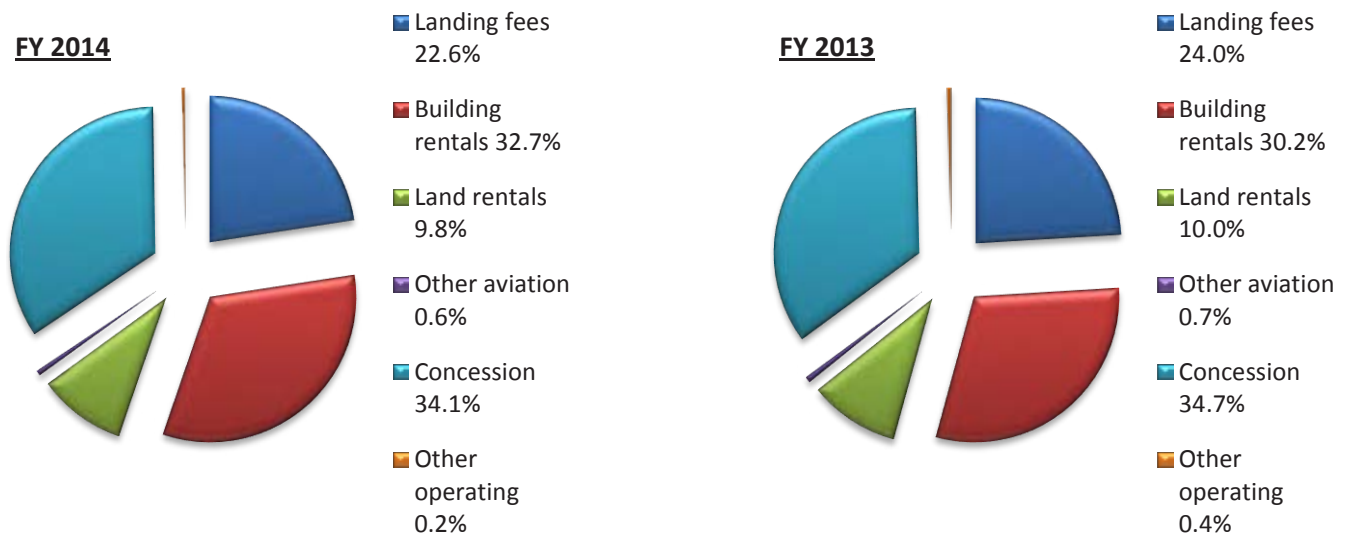
LAWA derives its operating revenue from several major airports business activities. The following table presents a summary of these business activities during fiscal years 2014, 2013, and 2012:

### Summary of Operating Revenue (amounts in thousands)

	FY 2014	FY 2013	FY 2012	FY 2014 increase (decrease)	FY 2013 increase (decrease)
Aviation revenue					
Landing fees	\$ 234,394	\$ 227,683	\$ 218,224	\$ 6,711	\$ 9,459
Building rentals	339,420	285,873	274,183	53,547	11,690
Land rentals	101,369	94,694	92,529	6,675	2,165
Other aviation revenue	5,899	6,336	8,456	(437)	(2,120)
Total aviation revenue	681,082	614,586	593,392	66,496	21,194
Concession revenue	354,847	328,636	304,670	26,211	23,966
Other operating revenue	2,577	3,571	4,095	(994)	(524)
Total operating revenue	<u>\$ 1,038,506</u>	<u>\$ 946,793</u>	<u>\$ 902,157</u>	<u>\$ 91,713</u>	<u>\$ 44,636</u>

### Operating Revenue, Fiscal Year 2014

The following chart illustrates the proportion of sources of operating revenue for fiscal years ended June 30, 2014 and 2013.





## Management's Discussion and Analysis (Unaudited)

June 30, 2014 and 2013

(continued)

For the fiscal year ended June 30, 2014, total operating revenue was \$1,038.5 million, a \$91.7 million or 9.7% increase from the prior fiscal year. The growth in aviation related revenue was \$66.5 million. Non-aviation revenue had a net increase of \$25.2 million mostly from concessions.

As described in the notes to the financial statements (see page 40), landing fees assessed to air carriers at LAX and ONT are based on cost recovery methodologies. Rates are set using budgeted expenses and estimates of landed weight. The fees are reconciled at the end of the year using actual net expenses and actual landed weight, with differences credited or billed to the airlines accordingly. Landing fees increased by \$6.7 million or 2.9%, from \$227.7 million in fiscal year 2013 to \$234.4 million in fiscal year 2014. At LAX, landing fees were up by \$6.2 million, or 2.9%. At ONT, landing fees were up by \$0.5 million, or 4.2%. The increase in landing fees was due to the increase in actual expenses.

Terminal rental rates at LAX are calculated using a compensatory methodology. Rates are set based on operating and capital costs allocated to the terminal area and charged to users by leased space or activity in common-use areas. Terminal rental rates calculated for ONT follow a residual fee methodology. Rates are set initially during the fiscal year based on budgeted operating revenue and expenses. Reconciliation between actual revenue and expenses and amounts estimated in the initial calculation result in a year-end adjustment. The resulting net overcharges or undercharges are recorded as a reduction or addition to unbilled receivables.

At LAX, total building rental revenue posted a growth of \$58.5 million, or 22.7%. The increase was primarily attributable to the improvements and refurbishments in the terminals, the adoption of the new rates and charges, as well as new and renegotiated leases signed with the airlines and other tenants. Building rental revenue from Skyview Center, which was acquired on June 25, 2013, represented \$5.2 million of the increase. At ONT, building rental decreased by \$5.5 million, or 23.7%, due to decreases in operating expenses.

Land rental revenue was up by \$6.7 million from \$94.7 million in fiscal year 2013 to \$101.4 million in fiscal year 2014. At LAX, land rental revenue increased by \$5.5 million, including \$3.2 million land rental revenue from Skyview Center. ONT posted a decrease of \$0.9 million and VNY showed an increase of \$2.1 million in land rental revenue.

Total revenue from concessions was \$354.8 million in fiscal year 2014, an 8.0% growth from \$328.6 million in fiscal year 2013. In-terminal concession revenue are rentals collected from commercial management concessionaires, food and beverage concessionaires; duty free and retail merchants (gifts, news, and novelty items); and concessionaires for advertising, foreign exchange booths, telecommunications, automated teller machines, and luggage cart rental. Off-terminal concession revenue is derived from auto parking, rent-a-car, bus, limousine, taxi services and other commercial ground transportation operations.

At LAX, in-terminal concession revenue during fiscal year 2014 had a net increase of \$12.7 million or 9.0% as compared to fiscal year 2013. The concessions benefited from the increased passenger traffic and new offerings such that revenue from sales over the minimum annual guarantee (MAG) posted a notable improvement. Duty Free revenues increased by \$5.3 million, or 10.5%. The total revenue from food and beverage concessionaires, retail merchants and commercial management concessionaires showed an increase of \$8.6 million, or 14.7%. Advertising revenue decreased by \$2.1 million, or 10.5% as a result of the loss of some advertising locations due to the closure of the old south concourse in Tom Bradley International Terminal (TBIT) and impacts of construction of new escalators, elevators, and walkways in the Terminal 4.

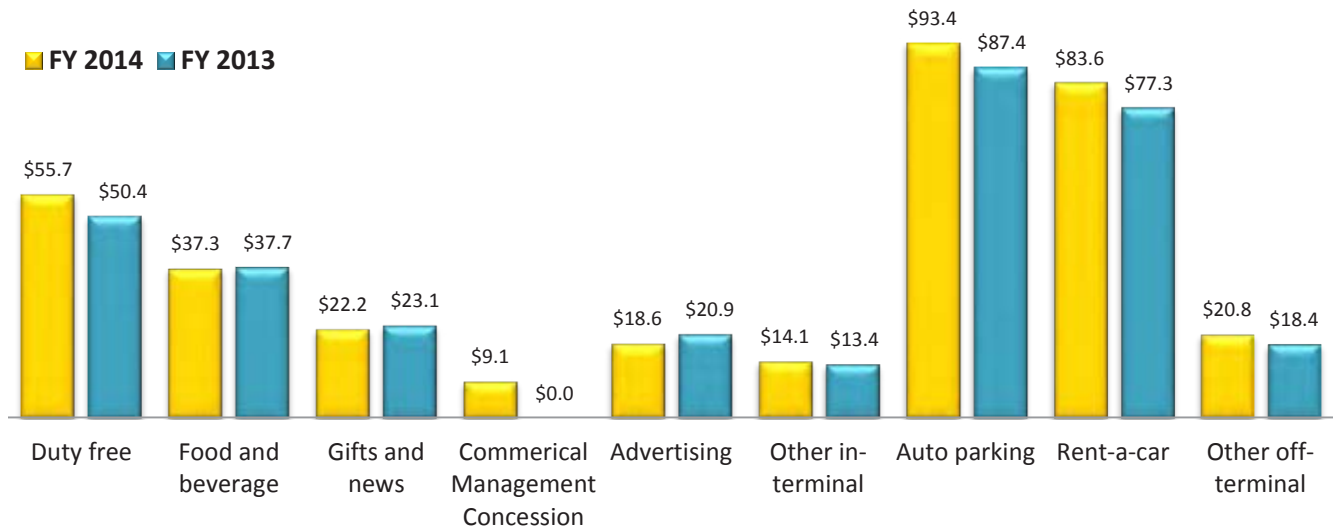




Off-terminal concession revenue at LAX in fiscal year 2014 was \$177.0 million as compared to \$162.5 million in fiscal year 2013, an increase of \$14.5 million, or 8.9%. Of the \$14.5 million increase, \$6.0 million was from auto parking, \$6.0 million from rent-a-car (RAC), \$1.5 million from bus, limousine and taxi services, and \$1.0 million from flyaway bus service.

At ONT, in-terminal concession revenue was down \$1.2 million, or 31.8% from fiscal year 2013 due to the decrease in passenger traffic while off-terminal concession revenue showed an increase of \$0.3 million, or 1.3% from fiscal year 2013 mainly due to increase in RAC revenue.

Comparative concession revenue by type for fiscal years 2014 and 2013 are presented in the following chart (amounts in millions).

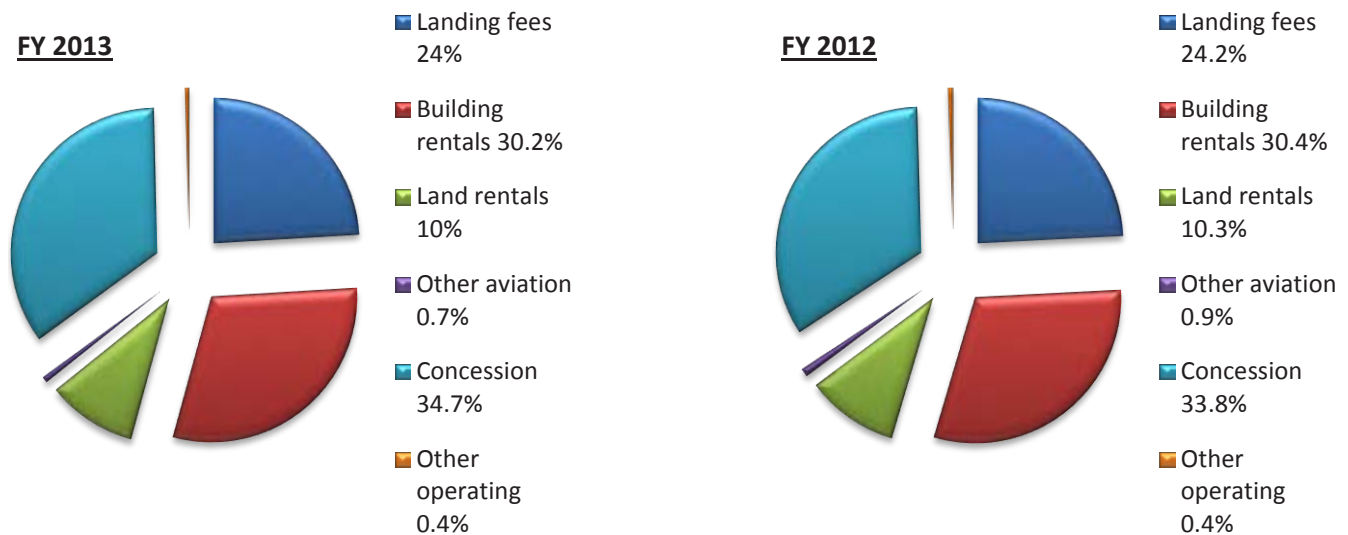




**Management’s Discussion and Analysis (Unaudited)**  
**June 30, 2014 and 2013**  
 (continued)

**Operating Revenue, Fiscal Year 2013**

The following chart illustrates the proportion of sources of operating revenue for fiscal years ended June 30, 2013 and 2012.



For the fiscal year ended June 30, 2013, total operating revenue was \$946.8 million, a \$44.6 million or 4.9% increase from the prior fiscal year. The growth in aviation related revenue was \$21.2 million. Non-aviation revenue had a net increase of \$23.4 million mostly from concessions.

As described in the notes to the financial statements (see page 40), landing fees assessed to air carriers at LAX and ONT are based on cost recovery methodologies. Rates are set using budgeted expenses and estimates of landed weight. The fees are reconciled at the end of the year using actual expenses and actual landed weight, with differences credited or billed to the airlines accordingly.

Landing fees for the fiscal years ended June 30, 2013 and 2012 were \$227.7 million and \$218.2 million, respectively, for an increase of \$9.5 million or 4.3%. At LAX, landing fees were up by \$8.4 million, or 4.0%. At ONT, the landing fees were up by \$1.1 million. The increases in landing fees were due to the increase in actual expenses.

LAX adopted a compensatory method of establishing terminal rates effective January 1, 2013. Improvements and refurbishments in the terminals as well as the adoption of the new rates and charges resulted in building rental revenue growth of \$9.3 million as new and renegotiated leases were signed with the airlines and other tenants. ONT’s terminal charges are based on a residual methodology. Building rental at ONT increased by \$2.3 million over the prior year.

Land rental revenue was up from \$92.5 million in fiscal year 2012 to \$94.7 million in fiscal year 2013. The increase of \$2.2 million was due to a minimal increase in rental rates. Activities at VNY contributed \$1.1 million, while at LAX and ONT, the increases were \$0.4 million and \$0.7 million, respectively.



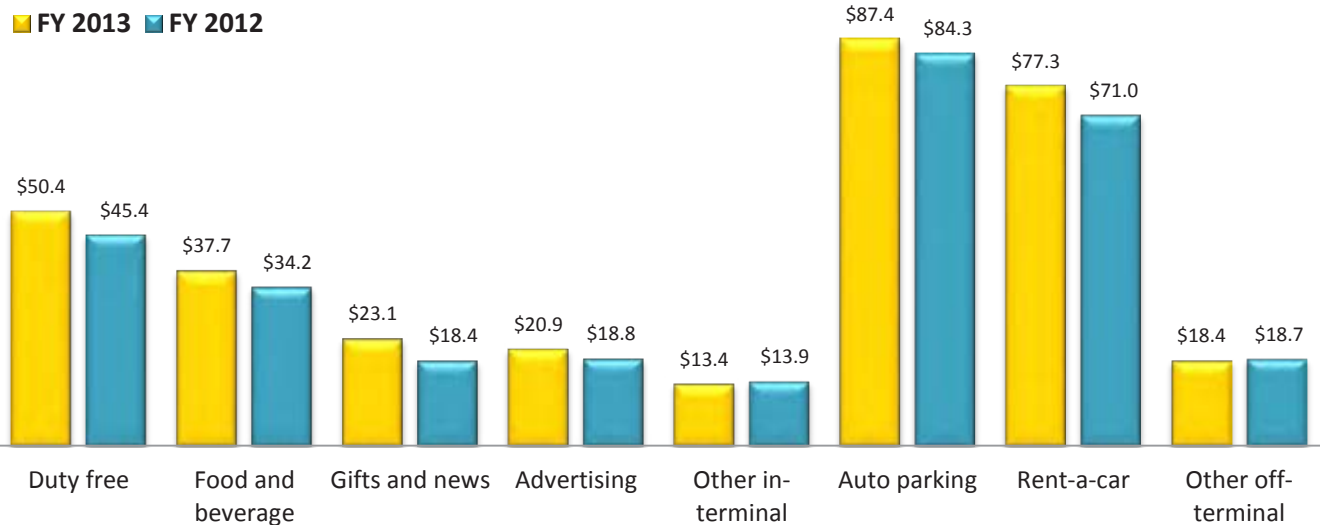
Revenue from concessions was \$328.6 million in fiscal year 2013, a 7.9% growth from fiscal year 2012 figure of \$304.7 million. In-terminal concession revenue are rentals collected from food and beverage concessionaires; duty free and retail merchants (gifts, news, and novelty items); and concessionaires for advertising, foreign exchange booths, telecommunications, automated teller machines, and luggage cart rental. Off-terminal concession revenue is derived from auto parking, rent-a-car, bus, limousine, and taxi services.

At LAX, in-terminal concession revenue during fiscal year 2013 had a net increase of \$15.5 million or 12.3% as compared to fiscal year 2012. The concessions benefited from the increased passenger traffic such that revenue from sales over the minimum annual guarantee (MAG) posted a notable improvement.

Off-terminal concession revenue at LAX in fiscal year 2013 was \$162.4 million as compared to \$152.6 million in fiscal year 2012, an increase of \$9.8 million. Of the \$9.8 million, \$4 million was from auto parking, \$6.1 million from RAC, and offsetting net decrease of \$0.3 million from bus service where the flyaway bus services had a decline in ridership.

At ONT, in-terminal concession revenue was down \$0.6 million, or 13.6% from fiscal year 2012 and off-terminal concession revenue was down \$0.8 million, or 3.7% from fiscal year 2012.

Comparative concession revenue by type for fiscal years 2013 and 2012 are presented in the following chart (amounts in millions).





# Management's Discussion and Analysis (Unaudited)

## June 30, 2014 and 2013

(continued)

### Operating Expenses

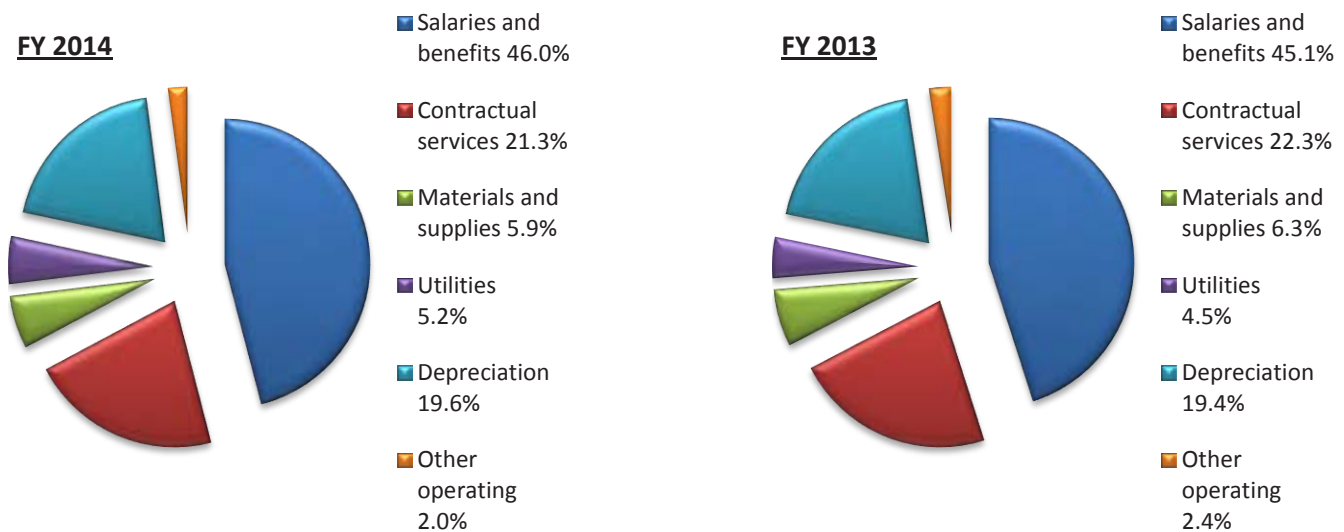
The following table presents a summary of LAWA operating expenses for the fiscal years ended June 30, 2014, 2013, and 2012. Included in other operating expenses are expenses for advertising and public relations, training and travel, insurance, lease, and other miscellaneous items.

#### Summary of Operating Expenses (amounts in thousands)

	FY 2014	FY 2013	FY 2012	FY 2014 increase (decrease)	FY 2013 increase (decrease)
Salaries and benefits	\$ 388,677	\$ 371,708	\$ 376,042	\$ 16,969	\$ (4,334)
Contractual services	179,988	184,139	182,487	(4,151)	1,652
Materials and supplies	49,604	52,158	39,881	(2,554)	12,277
Utilities	44,037	37,089	35,048	6,948	2,041
Other operating expenses	17,555	19,939	24,258	(2,384)	(4,319)
Operating expenses before depreciation	679,861	665,033	657,716	14,828	7,317
Depreciation	165,960	159,719	151,654	6,241	8,065
Total operating expenses	<u>\$ 845,821</u>	<u>\$ 824,752</u>	<u>\$ 809,370</u>	<u>\$ 21,069</u>	<u>\$ 15,382</u>

### Operating Expenses, Fiscal Year 2014

The following chart illustrates the proportion of categories of operating expenses for fiscal years ended June 30, 2014 and 2013.





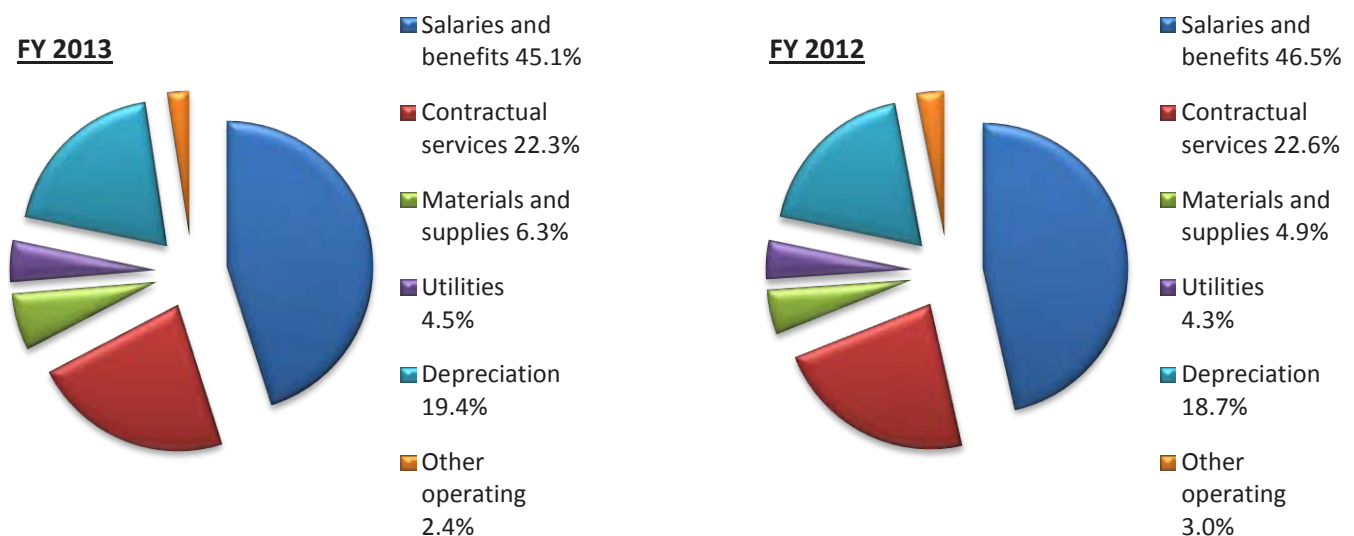
For the fiscal year ended June 30, 2014, operating expenses were \$845.8 million, a \$21.1 million or 2.6% increase from the prior fiscal year. Expense categories that experienced notable changes were salaries and benefits, up by \$17.0 million, utilities, up by \$6.9 million, and depreciation, up by \$6.2 million. The remaining expense accounts had an aggregate net decrease of \$9.1 million.

Salaries and overtime before capitalized charges had an increase of \$15.3 million or 5.5% due mainly to bargaining agreements with employee unions. The combined increase in retirement contributions, healthcare subsidy, and accrued sick and vacation was \$3.6 million while workers' compensation decreased by \$1.9 million. The increase in utilities was attributable to a combination of higher electricity rates and consumption as a result of the new Bradley West Project in TBIT, which was opened in September 2013. The increase in depreciation charges from \$159.7 million in fiscal year 2013 to \$166.0 million was due to the completion of certain major projects at LAX terminals and airfield. During fiscal year 2014, \$1,621.9 million was reclassified from construction work in progress to depreciable capital asset categories.

Contractual services, materials and supplies, and other operating expenses were decreased by \$4.2 million, \$2.6 million and \$2.4 million, respectively. Lower environmental consultant expenses and equipment maintenance and operations expenses explained the decrease in contractual services. After LAWA was in compliance with Federal Aviation Administration (FAA) regulations in fiscal year 2013, the costs for field paint, materials, supplies and services for the airfield marking was significantly lower in fiscal year 2014. The decline in other operating expenses was mainly driven by the continued decrease in provision for bad debts as lesser customer accounts were in bankruptcy. In accordance to LAWA's policy, the allowance for bad debt is calculated based on 2% of outstanding month-end receivables plus 80% of all bankruptcy accounts and aged accounts over 120 days that are referred to the City Attorney.

## Operating Expenses, Fiscal Year 2013

The following chart illustrates the proportion of categories of operating expenses for fiscal years ended June 30, 2013 and 2012.





## Management's Discussion and Analysis (Unaudited)

June 30, 2014 and 2013

(continued)

For the fiscal year ended June 30, 2013, operating expenses were \$824.8 million, a \$15.4 million or 1.9% increase from the prior fiscal year. Expense categories that posted significant fluctuations were materials and supplies, up by \$12.3 million and depreciation, up by \$8.1 million. The remaining expense accounts had an aggregate net decrease of \$5 million.

For materials and supplies, the primary reason was the increased costs for field paint, materials, supplies and services for the airfield marking rehabilitation program to comply with FAA regulations. The increase in depreciation charges to \$159.7 million during fiscal year ended June 30, 2013 from \$151.7 million in the prior fiscal year was due to the completion of certain major projects at LAX terminals and airfield. During fiscal year 2013, \$259.4 million was reclassified from construction work in progress to depreciable capital asset categories. Salaries and overtime expenses before capitalized charges had an increase of \$10.5 million due mainly to bargaining agreements with employee unions. Offsetting this increase in salaries is the increase in capitalized charges of \$6.1 million related to the ongoing improvements at LAX. The increase in provision for workers' compensation liability for fiscal year 2013 was \$15.3 million less than the prior year because in the prior year there was a revaluation on the adequacy of case reserves, which resulted in a significant increase in case reserves from \$16.1 million in fiscal year 2011 to \$24.8 million in fiscal year 2012. The combined increase in retirement contributions, healthcare subsidy, and accrued sick and vacation was \$6.7 million. The increase in expenses for utilities was mainly due to increased electricity consumption. The decrease in provision for bad debts was the primary reason for the decline in other operating expenses.

### Non-operating Transactions

Non-operating transactions are activities that do not result from providing services as well as producing and delivering goods in connection with LAWA's ongoing operations. The following table presents a summary of these activities during fiscal years 2014, 2013, and 2012.

#### Summary of Non-operating Transactions (amounts in thousands)

	FY 2014	FY 2013	FY 2012	FY 2014 increase (decrease)	FY 2013 increase (decrease)
Nonoperating revenue					
Passenger facility charges	\$ 136,280	\$ 130,512	\$ 130,769	\$ 5,768	\$ (257)
Customer facility charges	32,345	30,896	29,643	1,449	1,253
Interest income	22,482	27,749	30,280	(5,267)	(2,531)
Net change in fair value of investments	1,940	(24,764)	5,734	26,704	(30,498)
Other non-operating revenue	11,901	12,098	15,848	(197)	(3,750)
	<u>\$ 204,948</u>	<u>\$ 176,491</u>	<u>\$ 212,274</u>	<u>\$ 28,457</u>	<u>\$ (35,783)</u>
Nonoperating expenses					
Interest expense	\$ 137,005	\$ 97,089	\$ 86,700	\$ 39,916	\$ 10,389
Other non-operating expenses	1,928	2,058	1,310	(130)	748
	<u>\$ 138,933</u>	<u>\$ 99,147</u>	<u>\$ 88,010</u>	<u>\$ 39,786</u>	<u>\$ 11,137</u>
Federal capital grants	<u>\$ 32,677</u>	<u>\$ 17,972</u>	<u>\$ 62,441</u>	<u>\$ 14,705</u>	<u>\$ (44,469)</u>



## Non-operating Transactions, Fiscal Year 2014

At LAX, the increase of \$8.2 million in PFCs from fiscal year 2013 represents a 6.6% improvement aligned with the encouraging gain in passenger traffic. At ONT, PFCs decreased by \$2.4 million due to the reduction in the PFC rates from \$4.50 to \$2.00 effective January 1, 2013, and decline in passenger traffic. CFCs posted an increase, mostly from LAX rental car business buoyed by passenger traffic. CFCs are imposed on each car rental transaction collected by car rental concessionaires and remitted to LAWA.

Interest income decreased due to lower average balance of cash and pooled investments held in City Treasury and the lower annualized rate of return for the Treasury Pool core portfolio from 0.23% in fiscal year 2013 to 0.16% in fiscal year 2014. Within the other non-operating revenue, the increase of \$4.5 million reimbursements for certain Transportation Security Administration (TSA) programs in fiscal year 2014 was offset by the \$3.1 million loss on demolition of the South Concourse in TBIT and the reduction of \$1.6 million in miscellaneous revenue. Interest expenses increased with additional issuances of revenue bonds in the amount of \$241.9 million to finance capital improvement projects.

## Non-operating Transactions, Fiscal Year 2013

For fiscal year 2013, the increase of \$3.2 million in PFCs from the prior fiscal year at LAX represents a 2.6% improvement aligned with the encouraging gain in passenger traffic. At ONT, PFCs decreased by \$3.4 million due to the decreases in the PFC rates from \$4.50 to \$2.00 effective January 1, 2013, and passenger traffic. PFCs are imposed on enplaning passengers. CFCs posted an increase, mostly from LAX rental car business buoyed by passenger traffic. CFCs are imposed on each car rental transaction collected by car rental concessionaires and remitted to LAWA. The decrease in interest income was reflective of the overall performance of the City's investment pool. The annualized rates of return of the Treasury Pool reserve and core portfolios for fiscal year 2013 were 0.15% and 0.23%, respectively, compared to the prior fiscal year rates of 2.38% and 0.21%. The coupon interest received on the Treasury portfolios was offset by the downward year-end net adjustment to the fair value of investment securities. A component of non-operating revenue related to reimbursements for certain TSA programs was \$4.9 million less in fiscal year 2013. The increase in interest expense was corollary to the additional issuances of revenue bonds to finance capital improvement projects. Eligible expenditures for capital grant related projects were less in fiscal year 2013 as compared to fiscal year 2012 because of decreasing activity related to airfield projects.



## Management's Discussion and Analysis (Unaudited)

### June 30, 2014 and 2013

(continued)

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### Long-Term Debt

As of June 30, 2014, LAWA's outstanding long-term debt was \$4.0 billion. Issuances during the year amounted to \$241.9 million, and payments for scheduled maturities were \$56.9 million.

As of June 30, 2013, LAWA's outstanding long-term debt was \$3.8 billion. Issuances during the year amounted to \$279.1 million, redemption and advance refunding totaled \$64.2 million, and payments for scheduled maturities were \$41.7 million.

As of June 30, 2014 and 2013, LAWA had \$357.5 million and \$338.2 million investments, respectively, held by fiscal agents that are pledged for the payment or security of the outstanding bonds.

As of June 30, 2014 and 2013, the ratings of LAX's outstanding bonds by Standard & Poor's Rating Services, Moody's Investors Service, and Fitch Ratings were as follows: AA, Aa3, and AA respectively for LAX Senior Bonds; AA-, A1, and AA- respectively for LAX Subordinate Bonds.

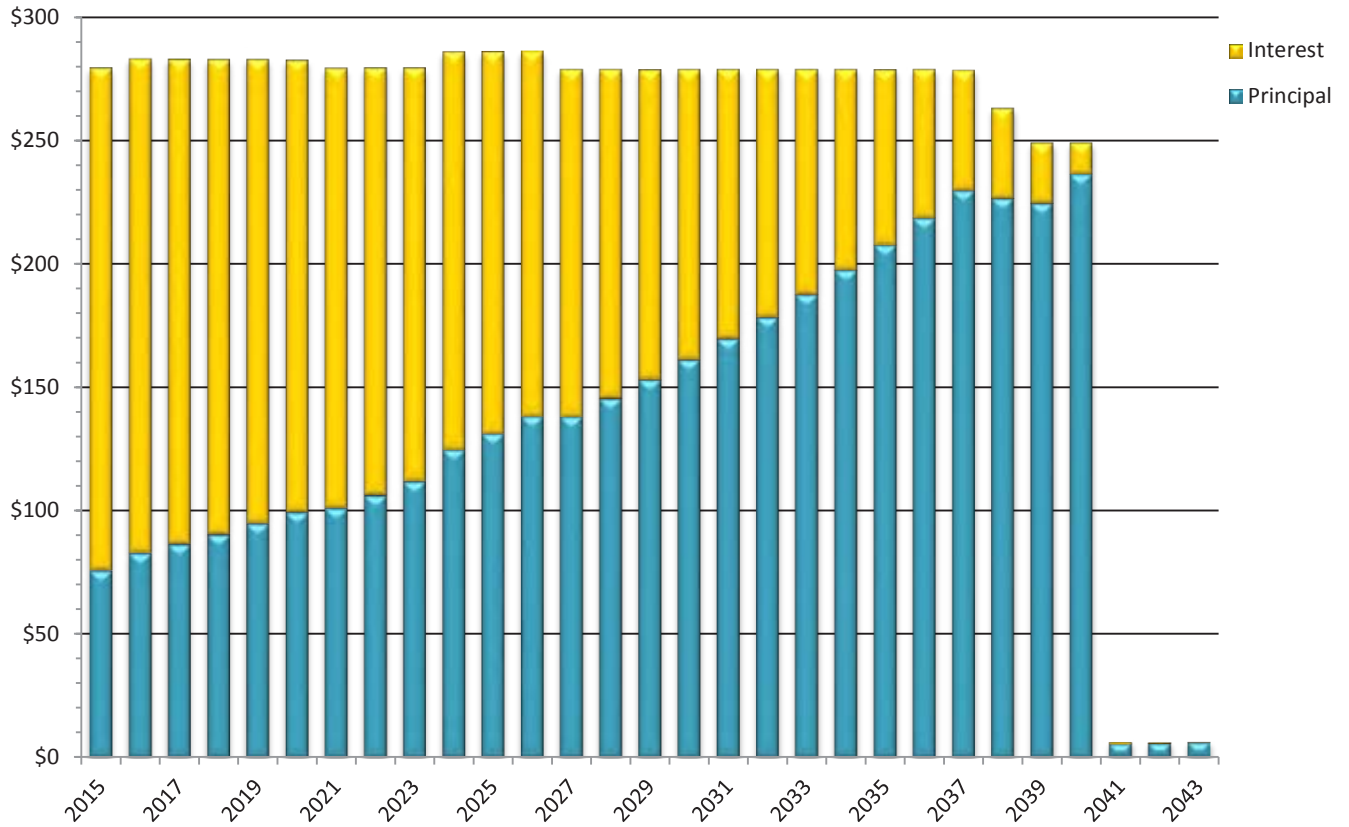
As of June 30, 2014 and 2013, the ratings of Standard & Poor's Rating Services, Moody's Investors Service, and Fitch Ratings for ONT's outstanding bonds were A-, Baa1 and A-, and A-, A3, and A-, respectively. Moody's Investors Service downgraded ONT's outstanding revenue bond ratings from A3 to Baa1 on October 23, 2013 and revised the outlook to stable. Moody's primarily attributed the downgrade to their view that ONT's market position has weakened as a result of enplanement declines experienced by the airport.

Additional information regarding LAWA's bonded debt can be found in Note 6 of the notes to the financial statements beginning on page 51.





Outstanding principal, plus scheduled interest as of June 30, 2014, is scheduled to mature as shown in the following chart (amounts in millions).





## Management's Discussion and Analysis (Unaudited)

### June 30, 2014 and 2013

(continued)

### Capital Assets

LAWA's investment in capital assets, net of accumulated depreciation, as of June 30, 2014 and 2013 were \$6.9 billion and \$6.4 billion, respectively. This investment, which accounts for 73.2% and 72.1% of LAWA's total assets as of June 30, 2014 and 2013, respectively, includes land, air easements, buildings, improvements, equipment and vehicles, emission reduction credits, and construction work in progress.

LAWA's policy affecting capital assets can be found in Note 1(f) of the notes to the financial statements on pages 38-39. Additional information can be found in Note 4 on pages 48-49.

### Capital Assets, Fiscal Year 2014

Major capital expenditure activities during fiscal year 2014 were as follows:

- LAX- \$325.1 million improvements and security upgrades at the TBIT.
- LAX- \$73.6 million renovations at Terminals 1 to 8.
- LAX- \$55.9 million replacement of the Central Utility Plant and cogeneration facilities.
- LAX- \$38.4 repairs and improvements of elevators and escalators.
- LAX- \$26.5 million residential acquisition, soundproofing and noise mitigation.
- LAX- \$17.9 million Central Terminal Area (CTA) curbside development project and Second Level Roadway Joint and Deck replacement.
- LAX- \$12.8 million in costs related to various Information Technology network and systems projects.
- LAX- \$13.7 million in costs related to various other projects.
- VNY- \$8.8 million taxiway and runway rehabilitation.
- ONT- \$1.2 million runway safety area improvement.

At June 30, 2014, the amounts committed for capital expenditures were as follows: \$9.3 million for airfield and runways, \$6.7 million for noise mitigation program, \$93.3 million for terminals and facilities, and \$32.8 million for various other projects.



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## Capital Assets, Fiscal Year 2013

Major capital expenditure activities during fiscal year 2013 were as follows:

- LAX- \$539.2 million improvements and security upgrades at the Tom Bradley International Terminal (TBIT).
- LAX- \$195 million renovations at Terminals 2, 3, 5, 6, and 7.
- LAX- \$125.6 million replacement of the Central Utility Plant and cogeneration facilities.
- LAX- \$111.5 million purchase of Skyview Center land (including parking lots) and buildings.
- LAX- \$29.9 million central terminal area development.
- LAX- \$26.9 million repairs and improvements of elevators and escalators.
- LAX- \$20.2 million various IT network and systems projects.
- LAX- \$11.3 million satellite concourse, runway and taxiway construction.
- LAX- \$5.9 million residential acquisition, soundproofing and noise mitigation.
- LAX- \$5.7 million security program
- VNY- \$8.9 million taxiway and runway rehabilitation.

At June 30, 2013, the amounts committed for capital expenditures were as follows: \$8.0 million for airfield and runways, \$7.0 million for noise mitigation program, \$83.8 million for terminals and facilities, and \$38.3 million for various other projects.



## Management's Discussion and Analysis (Unaudited)

June 30, 2014 and 2013

(continued)

### Landing Fees, Fiscal Year 2015

The airline landing fees for fiscal year 2015, which became effective as of July 1, 2014 are as follows:

#### Los Angeles International Airport

<u>Permitted air carriers</u>	<u>Non-permitted air carriers</u>	
\$ 58.00	\$ 73.00	For each landing of aircraft having a maximum gross landing weight of 12,500 pounds or less
112.00	140.00	For each landing of aircraft having a maximum gross landing weight of more than 12,500 pounds up to and including 25,000 pounds
3.65	4.56	Per 1,000 pounds of maximum gross landing weight for each landing by an air carrier cargo having a maximum gross landing weight of more than 25,000 pounds
4.47	5.59	Per 1,000 pounds of maximum gross landing weight for each landing by an air carrier passenger having a maximum gross landing weight of more than 25,000 pounds

#### LA/Ontario International Airport

<u>Signatory airlines</u>	<u>Non-signatory airlines</u>	
\$ 35.00	\$ 44.00	For each landing of aircraft having a maximum gross landing weight of 12,500 pounds or less
67.00	84.00	For each landing of aircraft having a maximum gross landing weight of more than 12,500 pounds up to and including 25,000 pounds
2.68	3.35	Per 1,000 pounds of maximum gross landing weight for each landing of aircraft having a maximum gross landing weight of more than 25,000 pounds

Landing fee rates were based on budgeted operating expenses and revenues. Reconciliation between actual revenues and expenses and amounts estimated in the initial calculation result in a year-end adjustment. The resulting net overcharges or undercharges are recorded as a reduction or addition to unbilled receivables.



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## Request for Information

This report is designed to provide a general overview of the Los Angeles World Airports' finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Ryan P. Yakubik, Chief Financial Officer, Los Angeles World Airports, 1 World Way, Los Angeles, CA 90045.

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2014 COMPREHENSIVE ANNUAL FINANCIAL REPORT

# Financial Statements

# Financial Statements

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**Los Angeles World Airports**  
(Department of Airports of the City of Los Angeles)

**Statements of Net Position**  
**June 30, 2014 and 2013**  
(amounts in thousands)

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
Current Assets		
Unrestricted current assets		
Cash and pooled investments held in City Treasury	\$ 690,525	\$ 657,081
Investments with fiscal agents	6,752	55
Accounts receivable, net of allowance for uncollectible accounts: 2014 - \$1,675; 2013 - \$6,844	21,203	35,186
Unbilled receivables	27,518	33,032
Accrued interest receivable	2,642	3,299
Grants receivable	15,221	19,872
Loans receivable	164	152
Receivable from City General Fund	2,606	816
Prepaid expenses	5,285	117
Inventories	1,770	1,806
Total unrestricted current assets	<u>773,686</u>	<u>751,416</u>
Restricted current assets		
Cash and pooled investments held in City Treasury	1,113,848	1,108,896
Investments with fiscal agents, includes cash and	599,765	561,035
Accrued interest receivable	1,878	2,910
Passenger facility charges receivable	22,718	22,906
Customer facility charges receivable	3,331	3,132
Total restricted current assets	<u>1,741,540</u>	<u>1,698,879</u>
Total current assets	<u>2,515,226</u>	<u>2,450,295</u>
Noncurrent Assets		
Capital assets		
Not depreciated	2,956,705	3,878,232
Depreciated, net	3,981,860	2,507,626
Total capital assets	<u>6,938,565</u>	<u>6,385,858</u>
Other noncurrent assets		
Restricted investments with fiscal agents	6,843	6,843
Loans receivable, net of current portion	854	1,018
Receivable from City General Fund, net of current portion	11,235	13,841
Total other noncurrent assets	<u>18,932</u>	<u>21,702</u>
Total noncurrent assets	<u>6,957,497</u>	<u>6,407,560</u>
<b>TOTAL ASSETS</b>	<u>\$ 9,472,723</u>	<u>\$ 8,857,855</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred charges on debt refunding	<u>\$ 2,581</u>	<u>\$ 2,795</u>



**Statements of Net Position (continued)**  
**June 30, 2014 and 2013**  
(amounts in thousands)

	<u>2014</u>	<u>2013</u>
<b>LIABILITIES</b>		
Current Liabilities		
Current liabilities payable from unrestricted assets		
Contracts and accounts payable	\$ 325,679	\$ 161,186
Accrued salaries	12,450	10,958
Accrued employee benefits	4,988	4,812
Estimated claims payable	8,125	6,933
Commercial paper	52,160	68,086
Unearned revenue	--	9,536
Obligations under securities lending transactions	1,008	2,634
Other current liabilities	9,875	10,714
Total current liabilities payable from unrestricted assets	<u>414,285</u>	<u>274,859</u>
Current liabilities payable from restricted assets		
Contracts and accounts payable	4,379	3,921
Current maturities of bonded debt	76,240	56,890
Accrued interest payable	25,404	24,213
Obligations under securities lending transactions	1,598	4,668
Other current liabilities	9,378	12,433
Total current liabilities payable from restricted assets	<u>116,999</u>	<u>102,125</u>
Total current liabilities	<u>531,284</u>	<u>376,984</u>
Noncurrent Liabilities		
Bonded debt, net of current portion	3,972,369	3,801,514
Accrued employee benefits, net of current portion	40,360	38,933
Estimated claims payable, net of current portion	66,711	66,711
Liability for environmental/hazardous materials cleanup	12,783	12,783
Net pension obligation	9,062	9,462
Other long-term liabilities	886	3,791
Total noncurrent liabilities	<u>4,102,171</u>	<u>3,933,194</u>
<b>TOTAL LIABILITIES</b>	<u>4,633,455</u>	<u>4,310,178</u>
<b>NET POSITION</b>		
Net investment in capital assets	3,089,235	2,691,560
Restricted for:		
Debt service	334,396	316,249
Passenger facility charges funded projects	749,031	773,458
Customer facility charges funded projects	185,990	155,064
Capital projects reserve	9,179	8,876
Operations and maintenance reserve	178,598	173,101
Federally forfeited property and protested funds	1,313	1,117
Unrestricted	294,107	431,047
<b>TOTAL NET POSITION</b>	<u>\$ 4,841,849</u>	<u>\$ 4,550,472</u>

See accompanying notes to the financial statements.



**Los Angeles World Airports**  
(Department of Airports of the City of Los Angeles)

**Statements of Revenues, Expenses and Changes in Net Position**  
**For the Fiscal Years Ended June 30, 2014 and 2013**  
(amounts in thousands)

	<u>2014</u>	<u>2013</u>
<b>OPERATING REVENUE</b>		
Aviation revenue		
Landing fees	\$ 234,394	\$ 227,683
Building rentals	339,420	285,873
Land rentals	101,369	94,694
Other aviation revenue	5,899	6,336
Total aviation revenue	<u>681,082</u>	<u>614,586</u>
Concession revenue	354,847	328,636
Other operating revenue	2,577	3,571
Total operating revenue	<u>1,038,506</u>	<u>946,793</u>
<b>OPERATING EXPENSES</b>		
Salaries and benefits	388,677	371,708
Contractual services	179,988	184,139
Materials and supplies	49,604	52,158
Utilities	44,037	37,089
Other operating expenses	17,555	19,939
Total operating expenses before depreciation and amortization	<u>679,861</u>	<u>665,033</u>
Operating income before depreciation and amortization	358,645	281,760
Depreciation and amortization	165,960	159,719
<b>OPERATING INCOME</b>	<u>192,685</u>	<u>122,041</u>
<b>NONOPERATING REVENUE (EXPENSES)</b>		
Passenger facility charges	136,280	130,512
Customer facility charges	32,345	30,896
Interest income	22,482	27,749
Net change in fair value of investments	1,940	(24,764)
Interest expense	(137,005)	(97,089)
Other nonoperating revenue	11,901	12,098
Other nonoperating expenses	(1,928)	(2,058)
Total nonoperating revenue, net	<u>66,015</u>	<u>77,344</u>
<b>INCOME BEFORE CAPITAL GRANTS</b>	258,700	199,385
Federal and other government grants	32,677	17,972
<b>CHANGE IN NET POSITION</b>	<u>291,377</u>	<u>217,357</u>
<b>NET POSITION, BEGINNING OF YEAR, AS PREVIOUSLY REPORTED</b>	4,550,472	4,355,882
Change in accounting principle	--	(22,767)
<b>NET POSITION, BEGINNING OF YEAR, AS RESTATED</b>	<u>4,550,472</u>	<u>4,333,115</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 4,841,849</u>	<u>\$ 4,550,472</u>

See accompanying notes to the financial statements.



**Los Angeles World Airports**  
(Department of Airports of the City of Los Angeles)

**Statements of Cash Flows**  
**For the Fiscal Years Ended June 30, 2014 and 2013**  
(amounts in thousands)

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 1,043,737	\$ 934,703
Payments to suppliers	(147,197)	(242,248)
Payments for employee salaries and benefits	(384,790)	(362,216)
Payments for City services	(97,553)	(78,544)
Net cash provided by operating activities	<u>414,197</u>	<u>251,695</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Noncapital grants received	<u>13,840</u>	<u>13,027</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from sale of revenue bonds and commercial paper notes	253,413	199,406
Principal paid on revenue bonds and commercial paper notes	(72,975)	(69,180)
Interest paid on revenue bonds and commercial paper notes	(199,402)	(189,743)
Revenue bonds and commercial paper notes issuance costs	(1,703)	(2,003)
Payments to escrow accounts for bond refunding and redemption	--	(5,980)
Acquisition and construction of capital assets	(546,266)	(1,100,085)
Proceeds from passenger facility charges	136,468	129,958
Proceeds from customer facility charges	32,146	30,421
Capital contributed by federal agencies	37,283	18,539
Net cash used for capital and related financing activities	<u>(361,036)</u>	<u>(988,667)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income	23,737	28,645
Net change in fair value of investments	1,940	(24,764)
Cash collateral received (paid) under securities lending transactions	(4,696)	7,302
Sales of investments	(4,159)	(29,088)
Proceeds from maturities of investments held by fiscal agents	--	54,737
Net cash provided by investing activities	<u>16,822</u>	<u>36,832</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	83,823	(687,113)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>2,327,067</u>	<u>3,014,180</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 2,410,890</u>	<u>\$ 2,327,067</u>
<b>CASH AND CASH EQUIVALENTS COMPONENTS</b>		
Cash and pooled investments held in City Treasury- unrestricted	\$ 690,525	\$ 657,081
Investments with fiscal agents- unrestricted	6,752	55
Cash and pooled investments held in City Treasury- restricted	1,113,848	1,108,896
Investments with fiscal agents- restricted	599,765	561,035
Total cash and cash equivalents	<u>\$ 2,410,890</u>	<u>\$ 2,327,067</u>



	<u>2014</u>	<u>2013</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating income	\$ 192,685	\$ 122,041
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	165,960	159,719
Change in provision for uncollectible accounts	(5,169)	(1,882)
Other nonoperating revenue, net	976	1,628
Changes in assets and liabilities		
Accounts receivable	19,152	(5,619)
Unbilled receivables	5,514	(2,959)
Prepaid expenses and inventories	(5,103)	3,164
Loans receivable	152	141
Contracts and accounts payable	48,402	(23,282)
Accrued salaries	1,492	714
Accrued employee benefits	1,603	2,716
Other liabilities	(11,467)	(4,686)
Total adjustments	<u>221,512</u>	<u>129,654</u>
Net cash provided by operating activities	<u>\$ 414,197</u>	<u>\$ 251,695</u>
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of capital assets included in contracts and accounts payable	\$ 198,311	\$ 80,429
Net proceeds of refunding bonds deposited in escrow accounts to refund certain outstanding commercial paper notes	\$ -	\$ 244,711
Net proceeds of commercial paper notes deposited in escrow accounts to redeem and advance refund certain outstanding bonds	\$ -	\$ 59,926

See accompanying notes to the financial statements.

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## Index to the Notes to the Financial Statements

The notes to the financial statements include disclosures that are necessary for a better understanding of the accompanying financial statements. An index to the notes follows:

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**Notes to the Financial Statements**  
**June 30, 2014 and 2013**

**1. Reporting Entity and Summary of Significant Accounting Policies**

**a. Organization and Reporting Entity**

Los Angeles World Airports (Department of Airports of the City of Los Angeles, California) (LAWA) is an independent, financially self-sufficient department of the City of Los Angeles (the City) established pursuant to Article XXIV, Section 238 of the City Charter. LAWA operates and maintains Los Angeles International Airport (LAX), LA/Ontario International Airport (ONT), and Van Nuys Airport (VNY). In addition LAWA owns approximately 17,750 acres of land east of United States Air Force Plant 42 (Plant 42) in the City of Palmdale, California. The Plant 42 property is leased from the United States Air Force (USAF) by the City of Palmdale, California. The rights under the lease, which was extended through October 2017, were assigned to the City. A Joint Use Agreement (JUA) between LAWA and USAF established procedures for aircraft operations at Plant 42. Until February 2009, LAWA operated Palmdale Regional Airport (PMD). Subsequent to the discontinuance of operations of PMD, LAWA returned its certification to operate the airport to the FAA. In March 2013, the Board approved the termination of the JUA between LAWA and USAF and the reassignment of the lease to the City of Palmdale. This action of the Board facilitated the transfer of operation, management and control of PMD to the City of Palmdale. LAWA retains the rights for future development of the adjoining land parcel.

LAWA is under the management and control of a seven-member Board of Airport Commissioners (the Board) appointed by the City Mayor and approved by the City Council. Under the City Charter, the Board has the general power to, among other things: (a) acquire, develop, and operate all property, plant, and equipment as it may deem necessary or convenient for the promotion and accommodation of air commerce; (b) borrow money to finance the development of airports owned, operated, or controlled by the City; and (c) fix, regulate, and collect rates and charges for the use of the Airport System. An Executive Director administers LAWA and reports to the Board.

LAWA is reported as a major enterprise fund in the City's basic financial statements presented in its Comprehensive Annual Financial Report. The accompanying financial statements present the net position and changes in net position and cash flows of LAWA. These financial statements are not intended to present the financial position and the changes in financial position of the City, or cash flows of the City's enterprise funds.

**b. Basis of Accounting**

LAWA is reported as an enterprise fund and maintains its records on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB). Under this method, revenues are recorded when earned and expenses are recorded when the related liability is incurred. Separate funds are used to account for each of the three airports referred to above and the Palmdale property.



## Notes to the Financial Statements

### June 30, 2014 and 2013

(continued)

#### c. Cash, Cash Equivalents, and Investments

LAWA's cash, cash equivalents, and investments and a significant portion of its restricted cash and investments are maintained as part of the City's pool of cash and investments. LAWA's portion of the pool is presented on the statements of net position as "Cash and Pooled Investments Held in City Treasury." LAWA's investments, including its share in the City's investment pool, are stated at fair value based on quoted market prices except for money market investments that have remaining maturities of one year or less at time of purchase, which are reported at amortized cost. Interest earned on such pooled investments is allocated to the participating City funds based on each fund's average daily cash balance during the allocation period.

As permitted by the California Government Code, the City engages in securities lending activities. LAWA's share of assets and liabilities arising from the reinvested cash collateral has been recognized in the statements of net position.

LAWA considers its unrestricted and restricted cash and investments held in the City Treasury as demand deposits and therefore these amounts are reported as cash equivalents. LAWA has funds that are held by fiscal agents. Investments with maturities of three months or less at the time of purchase are considered cash equivalents.

#### d. Accounts Receivable and Unbilled Receivables

LAWA recognizes revenue in the period earned. Receivables outstanding beyond 90 days are put into the collection process and then referred after 120 days to LAWA's resident City attorneys for possible write-off. An allowance for uncollectible accounts is set up as a reserve by LAWA policy. This policy requires that 2% of outstanding receivables plus 80% of all bankruptcy accounts and all referrals to City Attorney be reserved as uncollectible through a provisional month-end charge to operating expense.

Unbilled receivables balances are the result of revenue accrued for services that exceed \$5,000 each, but not yet billed as of year-end. This accrual activity occurs primarily at year-end when services provided in the current fiscal year period might not get processed through the billing system for up to sixty days into the next fiscal year.

#### e. Inventories

LAWA's inventories consist primarily of general custodial supplies and are recorded at cost on a first-in, first-out basis.

#### f. Capital Assets

All capital assets are carried at cost or at estimated fair value on the date received in the case of properties acquired by donation or by termination of leases, less allowance for accumulated depreciation. Maintenance and repairs are charged to operations in the period incurred. Renewals and betterments are capitalized in the asset accounts. LAWA has a capitalization threshold of \$5,000 for all capital assets other than internally generated computer software where the threshold is \$500,000.



Preliminary costs of capital projects incurred prior to the finalization of formal construction contracts are capitalized. In the event the proposed capital projects are abandoned, the associated preliminary costs are charged to expense in the year of abandonment.

LAWA capitalizes interest costs of bond proceeds used during construction (net of interest earnings on the temporary investment of tax-exempt bond proceeds). Net interest capitalized in fiscal years 2014 and 2013 were \$57.6 million and \$88.1 million, respectively.

Depreciation and amortization are computed on a straight-line basis. The estimated useful lives of the major property classifications are as follows: buildings and facilities, 10 to 40 years; airfield and other improvements, 10 to 35 years; equipment, 5 to 20 years; and computer software, 5 to 10 years. No depreciation is provided for construction work in process until construction is completed and/or the asset is placed in service. Also, no depreciation is taken on air easements and emission reduction credits because they are considered inexhaustible.

#### **g. Contracts Payable, Accounts Payable, and Other Liabilities**

All transactions for goods and services obtained by LAWA from City-approved contractors and vendors are processed for payment via its automated payment system. This procedure results in the recognition of expense in the period that an invoice for payment is processed through the system, or when a vendor first provided the goods and/or services. If the goods and/or services were received or if the invoice was received but not yet processed in the system, an accrual is made manually by journal voucher into the general ledger to reflect the liability to the vendor. When LAWA makes agreements that require customers to make cash deposits, these amounts are then reflected as other current liabilities.

#### **h. Operating and Non-operating Revenues and Expenses**

LAWA distinguishes between operating revenues and expenses, and non-operating revenues and expenses. Operating revenues and expenses generally result from providing services, and producing and delivering goods in connection with LAWA's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. LAWA derives its operating revenues primarily from landing fees, terminal space rental, auto parking, and concessions. LAWA's major operating expenses include salaries and employee benefits, fees for contractual services related to security and parking management, and other expenses such as depreciation and amortization, maintenance, insurance, and utilities.



## Notes to the Financial Statements

### June 30, 2014 and 2013

(continued)

#### i. Landing Fees

Landing fee rates determine the charges to the airlines each time that a qualified aircraft lands at LAX or ONT and landing fees assessed to air carriers are based on cost recovery methodologies. A separate landing fee is calculated annually for each airport to recover the costs of constructing, maintaining and operating airfield facilities. Costs recovered through these fees are identified for each airport using allocation methods of relevant costs attributable to that airfield. Landing fees are initially set using estimates of cost and activity and are reconciled to actual results following the end of each year.

#### j. Terminal Rates and Charges

On September 17, 2012, the Board approved a new methodology of calculating rates and charges for airlines and airline consortia using passenger terminals at LAX. The new rates, which will recover the costs of acquiring, constructing, operating and maintaining terminal facilities, are as follows: terminal building rate, federal inspection services area (FIS) rate, common use holdroom rate, common use baggage claim rate, common use outbound baggage system rate, common use ticket counter rate, and terminal special charges for custodial services, outbound baggage system maintenance, terminal airline support systems, and loading bridge capital and maintenance.

The new rates were effective January 1, 2013 to airlines and airline consortia agreeing to the new methodology and executing a rate agreement with LAWA (signatory airlines). Agreements with signatory airlines terminate on December 31, 2022.

The new rate agreement provides a Signatory Transitional Phase-in (STP) program that allows for reduced rates during the first five years of the implementation period. In addition, signatory airlines will share in the concession revenue derived from the terminals based on prescribed two-tiered formulae. Tier One Revenue Sharing had the effect of reducing the calculated terminal building rate (beginning calendar year 2014) and FIS rate (beginning calendar year 2016). Tier Two Revenue Sharing was distributed to signatory airlines in the form of a credit at the end of each calendar year beginning in 2014, subject to certain conditions.

Airlines with existing leases that opt not to sign an agreement under the new methodology (non-signatory tenant airlines) will continue to pay rates and charges based on their current leases until they sign the new rate agreement. Airlines with no existing leases that opt not to sign the new rate agreement (non-signatory tariff airlines) are charged the tariff rates effective January 1, 2013. Non-signatory airlines are not eligible to participate in the STP and revenue sharing programs.

ONT uses a “*residual method*” to determine terminal rates and fees. Under this method, ONT sets the airlines’ terminal rental rates and charges so that those fees provide the revenue needed to offset the difference between ONT’s total expenses allocable to the terminal area and the revenues collected from other sources such as concession, parking and other rental revenue.



#### k. Concession Revenue

Concession revenues are generated through LAWA concessionaires, tenants or airport service providers who pay monthly fees or rents for using or accessing airport facilities to offer their goods and services to the general public and air transportation community. Payments to LAWA are typically based on negotiated agreements with these parties to remit amounts based on either a Minimum Annual Guarantee (MAG) or on gross receipts. Amounts recorded to revenue are determined by the type of revenue category set up in the general ledger system and integrated with the monthly accounts receivable billing process. Concession revenue is recorded as it is earned. Some tenant agreements require self-reporting of concession operations and/or sales. The tenants' operations report and payment are due to LAWA in the month following the activity. The timing of concessionaire reporting and when revenue earned is recorded will determine when accruals are required for each tenant.

#### l. Unearned Revenue

Unearned revenue consists of concessionaire rentals and payments received in advance, which will be amortized to revenue on the straight-line basis over the applicable period.

#### m. Accrued Employee Benefits

Accrued employee benefits include estimated liability for vacation and sick leaves. LAWA employees accumulate annual vacation and sick leaves in varying amounts based on length of service. Vacation and sick leaves are recorded as earned. Upon termination or retirement, employees are paid the cash value of their accumulated leaves. Accrued employee benefits as of June 30, 2014 and 2013 are as follows (amounts in thousands):

Type of benefit	2014	2013
Accrued vacation leave	\$ 23,290	\$ 22,972
Accrued sick leave	22,058	20,773
Total	<u>\$ 45,348</u>	<u>\$ 43,745</u>

#### n. Deferred Outflows of Resources

In addition to assets, LAWA reports a separate section for deferred outflows of resources effective fiscal year 2014. This represents a consumption of net position that applies to a future period(s) and won't be recognized as an outflow of resources until then. LAWA reclassified deferred charges on refunding of \$2.6 million and \$2.8 million for fiscal years 2014 and 2013, respectively, from a contra liability account to deferred outflow of resources as a result of the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.



## Notes to the Financial Statements

### June 30, 2014 and 2013

(continued)

#### o. Federal Grants

When a grant agreement is approved and eligible expenditures are incurred, the amount is recorded as a federal grant receivable and as non-operating revenue (operating grants) or capital grant contributions in the statements of revenues, expenses, and changes in net position.

#### p. Bond Premiums and Discounts

Bond premiums, discounts, and gains and losses on extinguishment of debt are deferred and amortized over the life of the bonds. Bonds payable is reported net of the applicable bond premium or discount.

#### q. Net Position

The financial statements utilize a net position presentation. Net position is categorized as follows:

- *Net Investment in Capital Assets* – This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.
- *Restricted Net Position* – This category presents restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Those assets are restricted due to external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. At June 30, 2014 and 2013, net position of \$935.0 million and \$928.5 million, respectively, are restricted by enabling legislation.
- *Unrestricted Net Position* – This category represents net position of LAWA that is not restricted for any project or other purpose.

#### r. Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes of which both restricted and unrestricted resources are available, LAWA's policy is to apply restricted resources first.

#### s. Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts in the financial statements and accompanying notes. Actual results could differ from the estimates.



#### t. Reclassifications

Certain reclassifications have been made to fiscal year 2013 amounts in statement of net position in order to conform to the fiscal year 2014 presentation. Such reclassifications had no effect on the previously reported change in net position.

## 2. New Accounting Standards

Implementation of the following GASB statements is effective fiscal year 2014.

Issued in March 2012, GASB Statement No. 65, *“Items Previously Reported as Assets and Liabilities,”* establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. As of July 1, 2012, LAWA adopted the provisions of GASB Statement No. 65 and restated the beginning net position by \$22.8 million to write off unamortized bond issuance costs previously reported as an asset. During fiscal year ended June 30, 2013, LAWA has also written off bond issuance costs included in the deferred amounts related to the 2012 Series Bonds in the amount of \$2.0 million. In addition, the remaining unamortized loss on refunding in the amount of \$2.8 million at June 30, 2013 was reclassified from a contra liability account to deferred outflows of resources.

Issued in March 2012, GASB Statement No. 66, *“Technical Corrections – 2012, an amendment of GASB Statements No. 10 and No. 62,”* resolves conflicting guidance that resulted from the issuance of previously issued pronouncements. This statement had no impact on LAWA’s financial statements.

Issued in April 2013, GASB Statement No. 70, *“Accounting and Financial Reporting for Nonexchange Financial Guarantees,”* requires a state or local government guarantor that offers a nonexchange financial guarantee to another organization or government to recognize a liability in its financial statements when it is more likely than not that the guarantor will be required to make a payment to the obligation holders under the agreement. A nonexchange financial guarantee is a credit enhancement or assurance offered by a guarantor without receiving equal or approximately equal value in exchange. This statement had no material impact on LAWA’s financial statements.

The GASB has issued several pronouncements that have effective dates that may impact future presentations. LAWA is evaluating the potential impacts of the following GASB statements on its accounting practices and financial statements.

Issued in June 2012, GASB Statement No. 68, *“Accounting and Financial Reporting for Pensions,”* replaces the requirements of previously issued statements as they relate to governments that provide pensions through pension plans administered by trusts or similar arrangements that meet certain criteria. This statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability. Governments will report in their financial statements a net pension liability that represents the difference between the total pension liability and the pension plan’s fiduciary net position. This statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information, including descriptive information about the types of benefits available, how to determine the amount of pension plan contributions, and assumptions and methods used in calculating the pension liability. This statement requires LAWA to record a liability and expense equal to their proportionate share of the collective net pension liability and



## Notes to the Financial Statements

### June 30, 2014 and 2013

(continued)

expense of the City's single-employer defined benefit pension plan. Implementation of this statement is effective fiscal year 2015.

Issued in January 2013, GASB Statement No. 69, "*Government Combinations and Disposals of Government Operations*," establishes accounting and financial reporting standards related to mergers, acquisitions, transfers of operations, and disposal of operations applicable to state and local governmental entities. Implementation of this statement is effective fiscal year 2015.

Issued in November 2013, GASB Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*," amends GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. GASB Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this statement are required to be applied simultaneously with the provisions of GASB Statement No. 68. Implementation of this statement is effective fiscal year 2015.

### 3. Cash and Investments

#### a. Pooled Investments

Pursuant to the California Government Code and the Los Angeles City Council File No. 94-2160, the City Treasurer provides an Annual Statement of Investment Policy (the Policy) to the City Council. The Policy governs the City's pooled investment practices with the following objectives, in order of priority, safety of principal, liquidity, and rate of return. The Policy addresses soundness of financial institutions in which the Treasurer will deposit funds and types of investment instruments permitted under California law.

Each investment transaction and the entire portfolio must comply with the California Government Code and the Policy. Examples of investments permitted by the Policy are obligations of the U.S. Treasury and government agencies, commercial paper notes, negotiable certificates of deposit, guaranteed investment contracts, bankers' acceptances, medium-term corporate notes, money market accounts, and the State of California Local Agency Investment Fund (LAIF).

LAWA maintains a portion of its unrestricted and restricted cash and investments in the City's cash and investment pool (the Pool). LAWA's share of the Pool of \$1.8 billion as of June 30, 2014 and 2013 represented approximately 23.1% and 23.7%, respectively. There are no specific investments belonging to LAWA. Included in LAWA's portion of the Pool is the allocated investment agreements traded at year-end that were settled in the subsequent fiscal year. LAWA's allocated shares for fiscal years 2014 and 2013 were \$15.3 million and \$19.5 million, respectively, and were reported as other current liabilities in the statement of net position. The City issues a publicly available financial report that includes complete disclosures related to the entire cash and investment pool. The report may be obtained by writing to the City of Los Angeles, Office of the Controller, 200 North Main Street, City Hall East Suite 300, Los Angeles, CA 90012, or by calling (213) 978-7200.





## b. City of Los Angeles Securities Lending Program

The Securities Lending Program (SLP) is permitted and limited under provisions of California Government Code Section 53601. The City Council approved the SLP on October 22, 1991 under Council File No. 91-1860, which complies with the California Government Code. The objectives of the SLP in priority order are: safety of loaned securities and prudent investment of cash collateral to enhance revenue from the investment program. The SLP is governed by a separate policy and guidelines, with oversight responsibility of the Investment Advisory Committee.

The City's custodial bank acts as the securities lending agent. In the event a counterparty defaults by reason of an act of insolvency, the bank shall take all actions which it deems necessary or appropriate to liquidate permitted investment and collateral in connection with such transaction and shall make a reasonable effort for two business days (Replacement Period) to apply the proceeds thereof to the purchase of securities identical to the loaned securities not returned. If during the Replacement Period the collateral liquidation proceeds are insufficient to replace any of the loaned securities not returned, the bank shall, subject to payment by the City of the amount of any losses on any permitted investments, pay such additional amounts as necessary to make such replacement.

Under the provisions of the SLP, and in accordance with the California Government Code, no more than 20% of the market value of the Pool is available for lending. The City receives cash, U.S. government securities, and federal agency issued securities as collateral on loaned securities. The cash collateral is reinvested in securities permitted under the policy. In accordance with the Code, the securities lending agent marks to market the value of both the collateral and the reinvestments daily. Except for open loans where either party can terminate a lending contract on demand, term loans have a maximum life of 90 days. Earnings from securities lending accrue to the Pool and are allocated on a pro rata basis to all Pool participants.

LAWA participates in the City's securities lending program through the pooled investment fund. LAWA recognizes its proportionate share of the cash collateral received for securities loaned and the related obligation for the general investment pool. The City temporarily suspended its securities lending program in May 2012 and resumed in December 2012. At June 30, 2014, LAWA's portion of the cash collateral and the related obligation in the City's program was \$2.6 million. LAWA's portion of the securities purchased from the reinvested cash collateral at June 30, 2014 was \$2.6 million. Such securities are stated at fair value. LAWA's portion of the noncash collateral at June 30, 2014 was \$71.9 million. At June 30, 2013, LAWA's portion of the cash collateral and the related obligation in the City's program was \$7.3 million. LAWA's portion of the securities purchased from the reinvested cash collateral at June 30, 2013 was \$7.3 million. Such securities are stated at fair value. LAWA's portion of the noncash collateral at June 30, 2013 was \$155.5 million.

During the fiscal years, collateralizations on all loaned securities were within the required 102% of market value. The City can sell collateral securities only in the event of borrower default. The lending agent provides indemnification for borrower default. There were no violations of legal or contractual provisions and no borrower or lending agent default losses during the years. There was no credit risk exposure to the City at June 30, 2014 and 2013 because the amounts owed to the borrowers exceeded the amounts borrowed. Loaned securities are held by the City's agents in the City's name and are not subject to custodial credit risk.



**Notes to the Financial Statements**  
**June 30, 2014 and 2013**  
(continued)

**c. Investments with Fiscal Agents**

The investment practices of the fiscal agents that relate to LAWA's portfolio are similar as those of the City Treasurer, and have similar objectives. LAWA's investments held by fiscal agents are for the following purposes (amounts in thousands):

	<u>2014</u>	<u>2013</u>
Unrestricted, current		
Commercial paper and cash at bank	\$ 6,752	\$ 55
Restricted, current and noncurrent		
Bond security funds	357,512	338,182
Construction funds	249,096	229,696
Subtotal	<u>606,608</u>	<u>567,878</u>
Total	<u>\$ 613,360</u>	<u>\$ 567,933</u>

The bond security funds are pledged for the payment or security of certain bonds. These investments are generally short-term securities and have maturities designed to coincide with required bond retirement payments. The construction funds are bond proceeds on deposit with the fiscal agents. They are used to reimburse LAWA for capital expenditures incurred or to be incurred at LAX.

At June 30, 2014, the investments and their maturities are as follows (amounts in thousands):

	<u>Amount</u>	<u>Investment maturities</u>		
		<u>1 to 60</u> <u>days</u>	<u>61 to 365</u> <u>days</u>	<u>366 days to</u> <u>over 5 years</u>
Money market mutual funds	\$ 383,611	\$ 383,611	\$ --	\$ --
State of California LAIF	216,154	--	216,154	--
Collateralized investment contract	6,843	--	--	6,843
Subtotal	606,608	<u>\$ 383,611</u>	<u>\$ 216,154</u>	<u>\$ 6,843</u>
Bank deposit accounts	6,752			
Total	<u>\$ 613,360</u>			



At June 30, 2013, the investments and their maturities are as follows (amounts in thousands):

	Amount	Investment maturities		
		1 to 60 days	61 to 365 days	366 days to over 5 years
Money market mutual funds	\$ 250,460	\$ 250,460	\$ --	\$ --
State of California LAIF	310,575	--	310,575	--
Collateralized investment contract	6,843	--	--	6,843
Subtotal	567,878	<u>\$ 250,460</u>	<u>\$ 310,575</u>	<u>\$ 6,843</u>
Bank deposit accounts	55			
Total	<u>\$ 567,933</u>			

*Interest Rate Risk.* LAWA adopts the City's policy that limits the maturity of investments to five years for U.S. Treasury and government agency securities. The policy allows funds with longer term investments horizons, to be invested in securities that at the time of the investment have a term remaining to maturity in excess of five years, but with a maximum final maturity of thirty years.

*Credit Risk.* The City's policy requires that a mutual fund must receive the highest ranking by not less than two nationally recognized rating agencies. At June 30, 2014 and 2013, the money market mutual funds were rated AAAM by Standard and Poor's, and Aaa by Moody's. The collateralized investment contract is not rated.

As of June 30, 2014, LAWA's investments in the LAIF held by fiscal agents totaled \$216.2 million. The total amount invested by all public agencies in LAIF at that date was \$21.1 billion. The LAIF is part of the State's Pooled Money Investment Account (PMIA). As of June 30, 2014, the investments in the PMIA totaled \$64.9 billion, of which 98% is invested in non-derivative financial products and 2% in structured notes and asset-backed securities. The weighted average maturity of LAIF investments was 232 days as of June 30, 2014. LAIF is not rated.

As of June 30, 2013, LAWA's investments in the LAIF held by fiscal agents totaled \$310.6 million. The total amount invested by all public agencies in LAIF at that date was \$21.2 billion. The LAIF is part of the State's Pooled Money Investment Account (PMIA). As of June 30, 2013, the investments in the PMIA totaled \$58.8 billion, of which 98% is invested in non-derivative financial products and 2% in structured notes and asset-backed securities. The weighted average maturity of LAIF investments was 278 days as of June 30, 2013. LAIF is not rated.

The Local Investment Advisory Board (the Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State statute. The Pooled Money Investment Board whose members are the State Treasurer, Director of Finance, and State Controller, has oversight responsibility for PMIA. The value of the pool shares in LAIF, which may be withdrawn anytime, is determined on a historical basis, which is different than the fair value of LAWA's position in the pool.

The bank deposit accounts are covered by Federal depository insurance up to a certain amount. Financial institutions are required under California law to collateralize the uninsured portion of the deposits by pledging government securities or first trust deed mortgage notes. The collateral is held by the pledging institution's trust department and is considered held in LAWA's name.



**Notes to the Financial Statements**  
**June 30, 2014 and 2013**  
(continued)

**4. Capital Assets**

LAWA had the following activities in capital assets during fiscal year 2014 (amounts in thousands):

	Balance at July 1, 2013	Additions	Retirements & disposals	Transfers	Balance at June 30, 2014
Capital assets not depreciated					
Land and land clearance	\$ 970,990	\$ --	\$ --	\$ --	\$ 970,990
Air easements	46,975	--	--	--	46,975
Emission reduction credits	5,918	--	--	--	5,918
Construction work in progress	2,854,349	700,329	--	(1,621,856)	1,932,822
Total capital assets not depreciated	<u>3,878,232</u>	<u>700,329</u>	<u>--</u>	<u>(1,621,856)</u>	<u>2,956,705</u>
Capital assets depreciated					
Buildings	886,348	--	(15,558)	1,494,268	2,365,058
Improvements	3,281,706	16,093	(194)	126,443	3,424,048
Computer software	2,466	--	--	1,145	3,611
Equipment and vehicles	234,622	5,340	(1,355)	-	238,607
Total capital assets depreciated	<u>4,405,142</u>	<u>21,433</u>	<u>(17,107)</u>	<u>1,621,856</u>	<u>6,031,324</u>
Less accumulated depreciation					
Buildings	(482,429)	(21,836)	12,463	--	(491,802)
Improvements	(1,243,921)	(133,296)	194	--	(1,377,023)
Equipment, vehicles & computer software	(171,166)	(10,828)	1,355	--	(180,639)
Total accumulated depreciation	<u>(1,897,516)</u>	<u>(165,960)</u>	<u>14,012</u>	<u>--</u>	<u>(2,049,464)</u>
Capital assets depreciated, net	<u>2,507,626</u>	<u>(144,527)</u>	<u>(3,095)</u>	<u>1,621,856</u>	<u>3,981,860</u>
Total capital assets	<u>\$ 6,385,858</u>	<u>\$ 555,802</u>	<u>\$ (3,095)</u>	<u>\$ --</u>	<u>\$ 6,938,565</u>



LAWA had the following activities in capital assets during fiscal year 2013 (amounts in thousands):

	Balance at <u>July 1, 2012</u>	Additions	Retirements & disposals	Transfers	Balance at <u>June 30, 2013</u>
<b>Capital assets not depreciated</b>					
Land and land clearance	\$ 872,057	\$ 66,255	\$ --	\$ 32,678	\$ 970,990
Air easements	46,975	--	--	--	46,975
Emission reduction credits	5,918	--	--	--	5,918
Construction work in progress	<u>2,027,552</u>	<u>1,086,156</u>	<u>--</u>	<u>(259,359)</u>	<u>2,854,349</u>
Total capital assets not depreciated	<u>2,952,502</u>	<u>1,152,411</u>	<u>--</u>	<u>(226,681)</u>	<u>3,878,232</u>
<b>Capital assets depreciated</b>					
Buildings	827,911	45,209	(921)	14,149	886,348
Improvements	3,076,713	8,903	(2,204)	198,294	3,281,706
Computer software	--	--	--	2,466	2,466
Equipment and vehicles	<u>217,623</u>	<u>7,354</u>	<u>(2,127)</u>	<u>11,772</u>	<u>234,622</u>
Total capital assets depreciated	<u>4,122,247</u>	<u>61,466</u>	<u>(5,252)</u>	<u>226,681</u>	<u>4,405,142</u>
<b>Less accumulated depreciation</b>					
Buildings	(462,673)	(20,677)	921	--	(482,429)
Improvements	(1,116,797)	(129,328)	2,204	--	(1,243,921)
Equipment and vehicles	<u>(163,543)</u>	<u>(9,714)</u>	<u>2,091</u>	<u>--</u>	<u>(171,166)</u>
Total accumulated depreciation	<u>(1,743,013)</u>	<u>(159,719)</u>	<u>5,216</u>	<u>--</u>	<u>(1,897,516)</u>
Capital assets depreciated, net	<u>2,379,234</u>	<u>(98,253)</u>	<u>(36)</u>	<u>226,681</u>	<u>2,507,626</u>
Total capital assets	<u>\$ 5,331,736</u>	<u>\$ 1,054,158</u>	<u>\$ (36)</u>	<u>\$ --</u>	<u>\$ 6,385,858</u>



**Notes to the Financial Statements**  
**June 30, 2014 and 2013**  
(continued)

**5. Commercial Paper**

As of June 30, 2014 and 2013, LAWA had outstanding commercial paper (CP) notes of \$52.2 million and \$68.1 million, respectively. The respective average interest rates in effect as of June 30, 2014 and 2013 were 0.24% and 0.15%. The CP notes mature no more than 270 days from the date of issuance. The CP notes were issued as a means of interim financing for certain capital expenditures and redemption of certain bond issues.

LAWA entered into a letter of credit and reimbursement agreements with the following institutions to provide liquidity and credit support for the CP program: Bank of America for \$54.5 million to expire on March 6, 2015; Citibank for \$109 million to expire on March 6, 2015; Wells Fargo Bank for \$163.5 million to expire on March 6, 2015; and Barclays Bank for \$54.5 million which expired on March 7, 2014.

LAWA had the following CP activity during fiscal year 2014 (amounts in thousands):

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014
Series C	\$ 68,086	\$ 159	\$ (16,085)	\$ 52,160

LAWA had the following CP activity during fiscal year 2013 (amounts in thousands):

	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013
Series A	\$ --	\$ 32,512	\$ (32,512)	\$ --
Series B	47,199	50,000	(97,199)	--
Series C	--	95,541	(27,455)	68,086
Series D	115,000	--	(115,000)	--
Total	\$ 162,199	\$ 178,053	\$ (272,166)	\$ 68,086

On October 23, 2012, LAWA sold \$59.9 million LAX CP notes for the redemption of the outstanding LAX Series 2002A bonds and advance refunding of the outstanding LAX Series 2003B bonds. The net proceeds of the CP notes plus amounts available from the debt service fund accounts of the aforementioned bonds were deposited into escrow accounts as follows: \$32.5 million Series 2002A Escrow Fund, and \$33.4 million Series 2003B Escrow Fund. On November 1, 2012, the outstanding Series 2002A bonds with par amount of \$32.5 million were redeemed. The amount deposited into the irrevocable Series 2003B Escrow Fund will provide for all future debt service on the bonds. Accordingly, the refunded bonds were considered defeased such that the corresponding liability was subsequently removed from LAWA's books and the trust account assets were excluded. The above redemption and advance refunding transactions resulted in a net gain for accounting purposes of \$1.0 million, which is credited to operations and restated due to the implementation of GASB Statement No. 65.



## 6. Bonded Debt

Bonds issued by LAWA are payable solely from revenues of LAWA and are not general obligations of the City.

### a. Outstanding Debt

Outstanding revenue and revenue refunding bonds are due serially in varying annual amounts. Bonds outstanding as of June 30, 2014 and 2013 are as follows (amounts in thousands):

Bond issues	Issue date	Interest rate	Fiscal year of last scheduled maturity	Original principal	Outstanding principal	
					2014	2013
Issue of 2006, Series A	10/18/06	4.500% - 5.000%	2026	\$ 83,720	\$ 58,880	\$ 62,290
Issue of 2006, Series B	10/18/06	5.400% - 5.590%	2026	6,435	4,545	4,805
Issue of 2008, Series A	8/06/08	3.750% - 5.500%	2038	602,075	529,515	540,770
Issue of 2008, Series B	8/06/08	3.000% - 5.000%	2015	7,875	1,365	2,665
Issue of 2008, Series C	8/06/08	3.000% - 5.250%	2038	243,350	217,640	222,440
Issue of 2009, Series A	12/03/09	2.000% - 5.250%	2039	310,410	291,495	297,520
Issue of 2009, Series C	12/03/09	5.175% - 6.582%	2039	307,350	307,350	307,350
Issue of 2009, Series D	12/03/09	2.500% - 5.000%	2015	31,815	7,955	15,535
Issue of 2009, Series E	12/03/09	2.000% - 5.000%	2020	39,750	24,450	27,955
Issue of 2010, Series A	4/08/10	3.000% - 5.000%	2040	930,155	923,325	930,155
Issue of 2010, Series B	11/04/10	5.000%	2040	134,680	134,680	134,680
Issue of 2010, Series C	11/04/10	7.053%	2040	59,360	59,360	59,360
Issue of 2010, Series D	11/30/10	3.000% - 5.500%	2040	875,805	863,225	867,545
Issue of 2012, Series A	12/18/12	3.000% - 5.000%	2029	105,610	100,665	105,610
Issue of 2012, Series B	12/18/12	2.000% - 5.000%	2037	145,630	141,895	144,555
Issue of 2012, Series C	12/18/12	3.000% - 5.000%	2019	27,870	27,870	27,870
Issue of 2013, Series A	11/19/13	5.000%	2043	170,685	170,685	--
Issue of 2013, Series B	11/19/13	4.625% - 5.000%	2038	71,175	71,175	--
Total principal amount				<u>\$ 4,153,750</u>	3,936,075	3,751,105
Unamortized premium					120,263	115,352
Unamortized discount					<u>(7,729)</u>	<u>(8,053)</u>
Net revenue bonds					4,048,609	3,858,404
Less- current portion of debt					<u>(76,240)</u>	<u>(56,890)</u>
Net noncurrent debt					<u>\$ 3,972,369</u>	<u>\$ 3,801,514</u>



## Notes to the Financial Statements

### June 30, 2014 and 2013

(continued)

#### b. Pledged Revenue

The bonds are subject to optional and mandatory sinking fund redemption prior to maturity. LAWA has agreed to certain covenants with respect to bonded indebtedness. Significant covenants include the requirement that LAWA's pledged revenues, as defined in the master senior and subordinate indentures, shall be the security and source of payment for the bonds.

LAWA has received approval from the Federal Aviation Administration to collect and use passenger facility charges (PFCs) to pay for debt service on bonds issued to finance the Tom Bradley International Terminal Renovations and Bradley West Projects. The Board authorized amounts of \$96.5 million and \$34.4 million were used for debt service in fiscal years 2014 and 2013, respectively.

The total principal and interest remaining to be paid on the bonds is \$7.2 billion. Principal and interest paid during fiscal year 2014 and the net pledged revenues on GAAP basis (as defined in the master senior and subordinate indentures, together with the \$96.5 million PFCs funds discussed in the preceding paragraph), were \$256.4 million and \$482.6 million, respectively. Principal and interest paid during fiscal year 2013 and the net pledged revenues on GAAP basis (as defined in the master senior and subordinate indentures, together with the \$34.4 million PFCs funds discussed in the preceding paragraph), were \$231.2 million and \$332.6 million, respectively.

#### c. Bond Issuances

On November 19, 2013, LAWA issued Series 2013A LAX senior revenue bonds of \$170.7 million and Series 2013B LAX subordinate revenue bonds of \$71.2 million. The premium for these issuances totaled \$11.4 million. The bonds were issued to provide ongoing funding for the Terminal 4 Connector, Bradley West Core Renovations, and various other capital projects.

On December 18, 2012, LAWA issued senior lien LAX revenue bonds in the aggregate par amount of \$279.1 million broken down as follows: Series 2012A for \$105.6 million, Series 2012B for \$145.6 million, and Series 2012C for \$27.9 million. The premium for these issuances totaled \$46.9 million. The bonds were issued to pay for certain capital projects at LAX and to refund outstanding subordinate CP notes totaling \$244.7 million. Of the \$244.7 million refunded CP notes, \$32.5 million was used for the interim redemption of the Series 2002A bonds (see page 50). Since the \$32.5 million CP notes were refunded by the Series 2012C bonds, effectively, Series 2002A bonds were refunded by Series 2012C bonds. These transactions resulted in a cash flow savings of \$6.6 million and economic gain of \$6.0 million.





#### d. Principal Maturities and Interest

Scheduled annual principal maturities and interest are as follows (amounts in thousands):

<u>Fiscal year(s) ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 76,240	\$ 203,227	\$ 279,467
2016	83,215	199,831	283,046
2017	86,930	195,997	282,927
2018	90,855	191,940	282,795
2019	95,160	187,499	282,659
2020 - 2024	544,635	861,596	1,406,231
2025 - 2029	705,845	702,169	1,408,014
2030 - 2034	893,750	499,570	1,393,320
2035 - 2039	1,105,890	241,823	1,347,713
2040 - 2043	<u>253,555</u>	<u>14,722</u>	<u>268,277</u>
Total	<u>\$ 3,936,075</u>	<u>\$ 3,298,374</u>	<u>\$ 7,234,449</u>

#### e. Build America Bonds

LAX Subordinate Revenue Bonds 2009 Series C and 2010 Series C with par amounts of \$307.4 million and \$59.4 million, respectively, were issued as federally taxable Build America Bonds (BABs) under the American Recovery and Reinvestment Act of 2009. LAWA receives a direct federal subsidy payment in the amount equal to 35% of the interest expense on the BABs. The automatic cuts in spending (referred to as "sequestration") for the federal fiscal years ending September 30, 2014 and September 30, 2013 reduced the subsidy. The interest subsidy on the BABs was \$7.7 million for FY 2014 and \$8.0 million for FY 2013. The subsidy is recorded as a noncapital grant, a component of other non-operating revenue.



# Notes to the Financial Statements

## June 30, 2014 and 2013

(continued)

### 7. Changes in Long-Term Liabilities

LAWA had the following long-term liabilities activities for fiscal year ended June 30, 2014 (amounts in thousands):

	Balance at July 1, 2013	Additions	Reduction	Balance at June 30, 2014	Current Portion
Revenue bonds	\$ 3,751,105	\$ 241,860	\$ (56,890)	\$ 3,936,075	\$ 76,240
Add unamortized premium	115,352	11,394	(6,483)	120,263	--
Less unamortized discount	(8,053)	--	324	(7,729)	--
Net revenue bonds	3,858,404	253,254	(63,049)	4,048,609	76,240
Accrued employee benefits	43,745	6,415	(4,812)	45,348	4,988
Estimated claims payable	73,644	8,125	(6,933)	74,836	8,125
Unearned revenue	9,536	--	(9,536)	--	--
Liability for environmental/ hazardous materials cleanup	12,783	--	--	12,783	--
Net pension obligation	9,462	--	(400)	9,062	--
Other long-term liabilities	3,791	--	(2,905)	886	--
Total long-term liabilities	<u>\$ 4,011,365</u>	<u>\$ 267,794</u>	<u>\$ (87,635)</u>	<u>\$ 4,191,524</u>	<u>\$ 89,353</u>



LAWA had the following long-term liabilities activities for fiscal year ended June 30, 2013 (amounts in thousands):

	Balance at <u>July 1, 2012</u>	Additions	Reduction	Balance at June 30, 2013	Current Portion
Revenue bonds	\$ 3,577,945	\$ 279,110	\$ (105,950)	\$ 3,751,105	\$ 56,890
Add unamortized premium	76,697	46,881	(8,226)	115,352	--
Less unamortized discount	<u>(8,377)</u>	--	<u>324</u>	<u>(8,053)</u>	--
Net revenue bonds	3,646,265	325,991	(113,852)	3,858,404	56,890
Accrued employee benefits	41,029	7,229	(4,513)	43,745	4,812
Estimated claims payable	70,536	9,529	(6,421)	73,644	6,933
Unearned revenue	5,086	5,371	(921)	9,536	9,536
Liability for environmental/ hazardous materials cleanup	12,783	--	--	12,783	--
Net pension obligation	9,474	--	(12)	9,462	--
Other long-term liabilities	<u>5,678</u>	<u>634</u>	<u>(2,521)</u>	<u>3,791</u>	--
Total long-term liabilities	<u>\$ 3,790,851</u>	<u>\$ 348,754</u>	<u>\$ (128,240)</u>	<u>\$ 4,011,365</u>	<u>\$ 78,171</u>

## 8. Leases and Agreements

### a. Operating Leases and Agreements As Lessor

LAWA has entered into numerous rental agreements with concessionaires for food and beverage, gift and news, duty-free, rental car facilities, and advertisements. In general, the agreements provide for cancellation on a 30-day notice by either party; however, they are intended to be long-term in nature with renewal options. Accordingly, these agreements are considered operating leases for purposes of financial reporting.

The agreements provide for a concession fee equal to the greater of a minimum annual guarantee (MAG) or a percentage of gross revenues. Certain agreements are subject to escalation of the MAG. For the fiscal years ended June 30, 2014 and 2013, revenues from such agreements were \$251.5 million and \$232.3 million, respectively. The respective amounts over MAG were \$65.4 million and \$62.4 million. Minimum future rents or payments under these agreements over the next five years, assuming that current agreements are carried to contractual termination, are as follows (amounts in thousands):

<u>Fiscal year ending</u>	<u>Amount</u>
2015	\$ 137,924
2016	74,793
2017	73,590
2018	22,979
2019	<u>21,059</u>
Total	<u>\$ 330,345</u>



## Notes to the Financial Statements

June 30, 2014 and 2013

(continued)

On March 1, 2012, LAWA and Westfield Concession Management, LLC (Westfield) entered into a Terminal Commercial Management Concession Agreement (3-1-12 Agreement) for Westfield to develop, lease, and manage retail, food and beverage and certain passenger services in specified locations at the Tom Bradley International Terminal (TBIT) and Terminal 2 at LAX for a term of 17 years consisting of two-year development period and fifteen-year operational period. Westfield will select concessionaires subject to LAWA approval. Concession agreements awarded by Westfield shall have a term no longer than ten years. The agreement requires Westfield and its concessionaires to invest no less than \$81.9 million in initial improvements and \$16.4 million in mid-term refurbishments. Such improvements are subject to LAWA approval. The initial non-premises improvements, as defined, shall be acquired by and become the property of LAWA by cash payment to Westfield or the issuance of rent credit.

Under the 3-1-12 Agreement, Westfield paid LAWA the MAG of \$17.7 million (\$210 per square foot of concession area) in the first year of full operations. Beginning January 1, 2014, the MAG will be adjusted each year by the greater of (a) \$210 per square foot escalated by the Consumer Price Index, but not greater than 2% for any year, or (b) 85% of the prior year's Percentage Rent (as defined) paid to LAWA.

For any year in which the number of enplaned passengers in TBIT and Terminal 2 is (a) less than the 2011 passenger enplanements, or (b) less than 90% of the prior year's passenger enplanements in these terminals, an additional adjustment to the MAG is calculated on a retroactive basis.

On June 22, 2012, LAWA and Westfield entered into another Terminal Commercial Management Concession Agreement (6-22-12 Agreement) for Westfield to develop, lease, and manage retail, food and beverage and certain passenger services in specified locations at the Terminals 1, 3, and 6 at LAX. The term of this agreement is 17 years consisting of two-year development period and fifteen-year operational period. Westfield will select concessionaires subject to LAWA approval. Concession agreements awarded by Westfield shall have a term no longer than ten years. The agreement requires Westfield and its concessionaires to invest no less than \$78.6 million in initial improvements and \$15.7 million in mid-term refurbishments. Such improvements are subject to LAWA approval. The initial non-premises improvements, as defined, shall be acquired by and become the property of LAWA by cash payment to Westfield or the issuance of rent credit.

Under the 6-22-12 Agreement, Westfield paid LAWA the MAG of over \$17 million (\$240 per square foot of concession area) in the first year of full operations. Beginning January 1, 2014, the MAG will be adjusted each year by the greater of (a) \$240 per square foot escalated by the Consumer Price Index, but not greater than 2% for any year, or (b) 85% of the prior year's Percentage Rent (as defined) paid to LAWA. For any year in which the number of enplaned passengers in Terminals 1, 3, and 6 is (a) less than the 2011 passenger enplanements, or (b) less than 90% of the prior year's passenger enplanements in these terminals, an additional adjustment to the MAG is calculated on a retroactive basis.



Minimum future rents under these two agreements with Westfield over the next five years are estimated as follows (amounts in thousands):

<u>Fiscal year ending</u>	<u>Amount</u>
2015	\$ 26,793
2016	35,894
2017	36,611
2018	37,344
2019	<u>38,091</u>
Total	<u>\$ 174,733</u>

LAWA also leases land and terminal facilities to certain airlines and others. The terms of these long-term leases range from 10 to 40 years and generally expire between 2017 and 2025. Certain airlines and consortium of airlines at LAX also pay maintenance and operating charges (M&O Charges) that include direct and indirect costs allocated to all passenger terminal buildings, other related and appurtenant facilities, and associated land. Rates for M&O Charges are set each calendar year based on the actual audited M&O Charges for the prior fiscal year ending June 30. The land and terminal lease agreements are accounted for as operating leases. For the fiscal years ended June 30, 2014 and 2013, revenues from these leases were \$440.8 million and \$380.6 million, respectively.

Future rents under these land and terminal lease agreements over the next five years were based on the following assumptions: (a) current agreements are carried to contractual termination, (b) airline agreements or tariffs with no definitive expiry dates are carried over for the next five years, and (c) non-airline agreements or tariffs with no definitive expiry dates are carried over for the next three years. The future rents are as follows (amounts in thousands):

<u>Fiscal year ending</u>	<u>Amount</u>
2015	\$ 459,183
2016	449,714
2017	443,065
2018	383,349
2019	<u>359,384</u>
Total	<u>\$ 2,094,695</u>



**Notes to the Financial Statements**  
**June 30, 2014 and 2013**  
(continued)

The carrying cost and the related accumulated depreciation of property held for operating leases as of June 30, 2014 and 2013 are as follows (amounts in thousands):

	<u>2014</u>	<u>2013</u>
Buildings and facilities	\$ 3,350,207	\$ 1,845,187
Less- Accumulated depreciation	<u>(614,881)</u>	<u>(562,696)</u>
Net	2,735,326	1,282,491
Land	<u>686,363</u>	<u>686,363</u>
Total	<u><u>\$ 3,421,689</u></u>	<u><u>\$ 1,968,854</u></u>

**b. Lease Obligations**

LAWA leases office spaces under operating lease agreements that expire through 2032. Lease payments for the fiscal years ended June 30, 2014 and 2013 were \$6.2 million and \$4.8 million, respectively. Future minimum lease payments under the agreements are as follows (amounts in thousands):

<u>Fiscal year(s) ending</u>	<u>Amount</u>
2015	\$ 6,066
2016	6,001
2017	5,886
2018	5,886
2019	5,886
2020-2024	17,446
2025-2029	13,750
2030-2032	<u>5,513</u>
Total	<u><u>\$ 66,434</u></u>

On June 25, 2013, LAWA purchased a 17.6 acres commercial real estate property (known as Skyview Center) located adjacent to LAX. The \$111.5 million acquisition includes the land, two 12 and 11 story office buildings, a parking structure, and a 14.4 acres parking lot. Prior to the purchase of the property, LAWA leased certain areas of one of the buildings for office space.

**9. Passenger Facility Charges**

PFCs are fees imposed on enplaning passengers by airports to finance eligible airport related projects that preserve or enhance safety, capacity, or security of the national air transportation system; reduce noise or mitigate noise impacts resulting from an airport; or furnish opportunities for enhanced competition between or among carriers. Both the fee and the intended projects are reviewed and approved by the Federal Aviation Administration (FAA). Airlines operating at LAX and ONT have been collecting PFCs on behalf of LAWA. PFCs are recorded as non-operating revenue and presented as restricted assets in the financial statements. LAWA has received approvals from FAA to impose PFCs at LAX and ONT for various projects. The current PFCs at LAX is \$4.50 per enplaned passenger. On October 19, 2012, the FAA approved LAWA's application to reduce the PFCs at ONT from \$4.50 to \$2.00 effective January 1, 2013.



The application did not change ONT's collection authority of \$242.4 million but extended the collection period through October 2021.

As previously discussed, LAWA has received approval from the FAA to collect and use PFCs to pay for debt service on bonds issued to finance the Tom Bradley International Terminal Renovations and Bradley West Projects. Board authorized amounts of \$96.5 million and \$34.4 million were used for debt service in fiscal years 2014 and 2013, respectively.

The following project summary has been approved by FAA as of June 30, 2014 (amounts in thousands):

Terminal development	\$ 1,731,257
Noise mitigation	907,313
Airfield development	106,751
Land acquisition	33,680
Aircraft rescue and firefighting vehicles	<u>1,899</u>
Total	<u>\$ 2,780,900</u>

PFCs collected and the related interest earnings through June 30, 2014 and 2013 were as follows (amounts in thousands):

	<u>2014</u>	<u>2013</u>
Amount collected	\$ 1,978,261	\$ 1,839,620
Interest earnings	<u>232,213</u>	<u>221,199</u>
Total	<u>\$ 2,210,474</u>	<u>\$ 2,060,819</u>

As of June 30, 2014 and 2013, cumulative expenditures to date on approved PFCs projects totaled \$1.5 billion and \$1.3 billion, respectively.

## 10. Customer Facility Charges

In November 2001, the Board approved the collection of a state-authorized Customer Facility Charge (CFCs) from car rental agencies serving LAX and ONT. State law allows airports to collect a fee of \$10 per on-airport rental car agency transaction to fund the development of consolidated car rental facility and common-use transportation system. CFCs are recorded as non-operating revenue and presented as restricted assets in the financial statements. CFCs collected and the related interest earnings through June 30, 2014 and 2013 were as follows (amounts in thousands):

	<u>2014</u>	<u>2013</u>
Amount collected	\$ 222,815	\$ 190,670
Interest earnings	<u>10,189</u>	<u>8,501</u>
Total	<u>\$ 233,004</u>	<u>\$ 199,171</u>

As of June 30, 2014 and 2013, cumulative expenditures to date on approved CFCs projects totaled \$51.0 million and \$47.6 million, respectively.



# Notes to the Financial Statements

## June 30, 2014 and 2013

(continued)

### 11. Capital Grant Contributions

Contributed capital related to government grants and other aid totaled \$32.7 million and \$18.0 million in fiscal years 2014 and 2013, respectively. Capital grant funds are primarily provided by the FAA Airport Improvement Program and Transportation Security Administration.

### 12. Related Party Transactions

The City provides services to LAWA such as construction and building inspection, fire and paramedic, police, water and power, and certain administrative services. The costs for these services for fiscal years ended June 30, 2014 and 2013 were \$93.3 million and \$85.3 million, respectively.

LAWA collects parking taxes at LAX on behalf of the City's General Fund. The parking taxes collected and remitted during each of fiscal years 2014 and 2013 were \$7.9 million and \$7.3 million, respectively.

In December 2009, two cases were settled that related to FAA's audit findings of improper payments by LAWA to the City General Fund. The cases involved compliance review by FAA of the transfer of LAWA revenue funds to the City General Fund for the implementation of a joint strategic international marketing alliance, and the legality of the transfer of \$43 million out of approximately \$58 million representing condemnation proceeds received for certain City-owned property taken by the State for use in the construction of the Century Freeway. The settlement calls for a series of semi-annual payments over ten years through June 30, 2019 by the City General Fund to LAWA totaling \$17.7 million plus 3% interest for a total of \$21.3 million. The installment payments will be offset against billings for actual cost of services provided by the City General Fund to LAWA. At June 30, 2014 and 2013, the respective outstanding principal amount of \$11.2 million and \$13.8 million payable beyond one year were reported under other noncurrent assets while the balance of \$2.6 million and \$0.8 million payable within one year were reported under unrestricted current assets.

### 13. Pension and Other Postemployment Benefit Plans

#### a. Description of Plans

The City contributes to a single-employer defined benefit pension plan, the Los Angeles City Employees' Retirement System (LACERS), to provide retirement benefits to its civilian (other than Department of Water and Power) employees. The City also provides single-employer other postemployment benefit (OPEB) healthcare plan through LACERS. All full-time employees of LAWA are eligible to participate in both plans. The City Charter assigns the administration of the plans to the LACERS Board of Administration. The LACERS issues a publicly available financial report that includes financial statements and required supplementary information for the plans. That report may be obtained by writing or calling: Los Angeles City Employees' Retirement System, 202 W. First Street, Suite 500, Los Angeles, CA 90012-4401, (800) 779-8328.





As a City department, LAWA shares in the risks and costs with the City. LAWA presents the related defined benefit disclosures as a participant in a cost-sharing plan arrangement with the City. Pension and other postemployment benefits are established pursuant to City ordinance. Employees with ten or more years of service may retire if they are at least 55 years old. Normal retirement allowances are reduced for employees under age 60 at the time of retirement, unless they have more than 30 years of service and are age 55 or older (Tier 1). Employees aged 70 or above may retire at any time with no required minimum period of service. LACERS does not have a mandatory retirement age. Employees with ten or more years of service who retire after age 55, or employees who retire at age 70 with no minimum service requirement, are eligible for health premium subsidy with a City-approved health carrier. On July 1, 2013, a new tier of retirement and postemployment health care benefits, referred to as Tier 2, is in effect for LACERS members hired on or after July 1, 2013. For Tier 2 members, normal retirement allowances are reduced for employees under age 65 at the time of retirement, unless they have more than 30 years of service and are age 55 or older. On August 25, 2014, Employee Relations Board (ERB) issued Order No. 1898-1904 (Order) which stated that the City shall cease and desist from adding new tiers to LACERS or otherwise making changes without first offering the employee organizations an opportunity to meet and confer; and the City shall rescind Ordinance No. 182296 which created LACERS Tier 2 and shall place all affected employees hired on or after July 1, 2013 in LACERS Tier 1 retroactive to their date of hire. The Order is stayed pending appeal and final judgment before the court.

#### **b. Funding Policy**

The City's annual costs for the plans are calculated based on the annual required contribution of the employer, an amount actuarially determined in accordance with the parameters of the applicable GASB statements. The actuarially determined contribution rates as a percentage of covered payroll were 25.33% and 18.32% for Tier 1 and Tier 2 members respectively, in fiscal year 2014, 24.14% in fiscal year 2013, and 27.66% in fiscal year 2012. The required contribution rates were based on the June 30, 2012, June 30, 2011 and June 30, 2010 actuarial valuations, respectively. LAWA paid 100% of its annual contributions of \$63.1 million, \$60.1 million, and \$55.4 million, for the fiscal years ended June 30, 2014, 2013, and 2012, respectively.

Effective July 1, 2011, Tier 1 members contribute 7%, 9% or 11% of pay, depending upon the bargaining group to which they belong. Most of the members who contribute 7% or 9% were required to contribute 11% effective July 1, 2012, and January 1, 2013, respectively. Tier 2 members contribute 10% of pay for the years 2013 to 2017. After 2017, the contribution rate is subject to change every three years. The City Charter and related ordinances define member contributions.

#### **c. Net Pension Obligation**

The City allocated a portion of its net pension obligation (NPO) to LAWA based upon its percentage of payroll benefit costs for all City employees. The allocated NPO at June 30, 2014 and 2013 was \$9.1 million and \$9.5 million, respectively.



# Notes to the Financial Statements

## June 30, 2014 and 2013

(continued)

### d. Net Pension Liability

LAWA is in the process of implementing GASB Statement No. 68, “Accounting and Financial Reporting for Pensions,” in fiscal year 2015. This statement requires LAWA to record a liability and expense equal to their proportionate share of the collective net pension liability and expense of the City’s single-employer defined benefit pension plan. LAWA will report a net pension liability that represents the difference between the total pension liability and the pension plan’s fiduciary net position in the financial statements starting from fiscal year 2015.

### e. Funded Status of the Plans

The City issues a publicly available financial report that includes complete disclosures and required supplementary information on the funded status of the plans. The report may be obtained by writing to the City of Los Angeles, Office of the Controller, 200 North Main Street, City Hall East Suite 300, Los Angeles, CA 90012, or by calling (213) 978-7200.

## 14. Risk Management

The Risk Management Division (RMD) administers LAWA’s risk and claims management program. By implementing a comprehensive risk identification, assessment, and treatment process, the program addresses key risks that may adversely affect LAWA’s ability to meet its business goals and objectives.

LAWA maintains insurance coverage of \$1.3 billion for general aviation liability and \$1.0 billion for war and allied perils. Additional insurance coverage is carried for general all risk property insurance for \$2.3 billion, that includes \$250.0 million for boiler and machinery, and \$25.0 million for earthquake. Deductibles for these policies are \$10,000 per claim with a \$400,000 annual aggregate for general liability, and \$100,000 per occurrence and annual aggregate for general property. Historically, no liability or property claims have reached or exceeded the stated policy limits.

LAWA also maintains a separate owner controlled insurance program (OCIP) to cover risks associated with the Bradley West Improvement Project. The OCIP covers associated workers’ compensation, general liability, and builder’s risks exposures for the project and its contracted participants. The aggregate coverage level is \$300.0 million with a \$250,000 deductible per occurrence. The OCIP was in effect for the five-year construction period ending in 2014. Additionally, LAWA maintains catastrophic loss fund for claims or losses that may exceed insurance policy limits. Commercial insurance is used where it is legally required, contractually required, or judged to be the most effective way to finance risk. For fiscal years 2014, 2013, and 2012, no claims were in excess of LAWA’s insurance coverage.

A number of lawsuits were pending against LAWA that arose in the normal course of its operations. LAWA recognizes a liability for claims and judgments when it is probable that an asset has been impaired or a liability has been incurred and the amount of the loss can be reasonably estimated. The City Attorney provides estimates for the amount of liabilities with a probability of occurring from these lawsuits. The liability for litigation and other claims at June 30, 2014 and 2013 was \$11.7 million.



LAWA is self-insured as part of the City's program for workers' compensation. All workers' compensation cases are processed by the City. Liability and risk are retained by LAWA. The actuarially determined accrued liability for workers' compensation includes provision for incurred but not reported claims and loss adjustment expenses. The present value of the estimated outstanding losses was calculated based on a 3% yield on investments. LAWA's accrued workers' compensation liability at June 30, 2014 and 2013 was \$63.1 million and \$61.9 million, respectively.

The changes in LAWA's estimated claims payable are as follows (amounts in thousands):

	June 30		
	2014	2013	2012
Balance at beginning of year	\$ 73,644	\$ 70,536	\$ 52,526
Provision for current year's events and changes in provision for prior years' events	8,125	9,529	22,764
Claims payments	(6,933)	(6,421)	(4,754)
Balance at end of year	<u>\$ 74,836</u>	<u>\$ 73,644</u>	<u>\$ 70,536</u>
Current portion	<u>\$ 8,125</u>	<u>\$ 6,933</u>	<u>\$ 6,421</u>

## 15. Commitments, Litigations, and Contingencies

### a. Commitments

Commitments for acquisition and construction of capital assets, and purchase of materials and supplies were \$150.0 million and \$144.6 million as of June 30, 2014 and 2013, respectively. Significant amounts were committed for the following: TBIT improvements, elevator and escalator system upgrade, central utility plant replacement, information technology network expansion, noise mitigation as well as runway and taxiway improvements.

### b. LAX Master Plan

The LAX Master Plan was adopted by the Board and approved by the City Council in 2004. It is a broad policy statement regarding the conceptual strategic framework for future improvements at LAX and describes how LAX can accommodate its appropriate share of the region's aviation demand, while balancing those needs with environmental concerns, safety and security, and the concerns of LAX's neighbors.

Settlement agreements were entered into by the City and several entities that filed lawsuits in connection with the LAX Master Plan. Among other things, the agreements require LAWA to limit the number of terminal gates; involve the surrounding communities in project planning; provide funding for traffic and noise mitigation and abatement, job training and opportunities, street and street lighting improvements, and air quality and environmental programs; and develop a regional initiative to encourage passenger and cargo activity at other airports. LAWA is continuing to perform its obligations pursuant to these agreements conditioned upon FAA's approval of expenditures and use of airport revenues for the specified purposes.



## Notes to the Financial Statements

June 30, 2014 and 2013

(continued)

In connection with the approval of the LAX Master Plan, the City Council amended the City's general plan to include a component specific to LAX, the LAX Plan. Along with the approval of the LAX Master Plan in 2004, the City Council also adopted the LAX Specific Plan, an ordinance that establishes zoning and development regulations consistent with the LAX Plan. The LAX Specific Plan required LAWA to prepare a Specific Plan Amendment Study (SPAS) to address, among other things, security, traffic, aviation activity, and corresponding environmental analysis consistent with the California Environmental Quality Act (CEQA).

On February 5, 2013, the board certified the Environmental Impact Report (EIR) prepared for the LAX SPAS under CEQA and determined that the LAX SPAS was complete. It also selected the Staff-Recommended Alternative, including the proposed amendments to Section 7.H of the LAX Specific Plan and all amendments to the City's general plan, including the LAX Plan, and the LAX Specific Plan, as the best alternative to the problems that the so-called "Yellow Lights Projects" were designed to address, subject to future detailed planning, engineering, and project-level environmental review, such as project-level review of individual improvements under CEQA and the evaluation and approval processes of FAA. Approval of the SPAS Staff-Recommended Alternative would provide the platform from which the specific details of the proposed improvements would be further defined and evaluated in connection with current and future FAA standards.

On April 30, 2013, the City Council certified the LAX SPAS EIR and selected the Staff-Recommend Alternative, subject to the same provisions set forth above. On May 30, 2013, the Alliance for a Regional Solution to Airport Congestion, the City of Inglewood, the City of Culver City, the City of Ontario, the County of San Bernardino, and SEIU United Service Workers West (Petitioners) filed three separate petitions for writ of mandate in the Los Angeles Superior Court against the City alleging that the SPAS final environmental impact report (SPAS Final EIR) was not completed in compliance with CEQA and requested, among other things, the Court to set aside all approvals based upon the SPAS Final EIR. The three cases were deemed related on June 24, 2013, and consolidated on September 18, 2013. On February 28, 2014, they were transferred to the Ventura County Superior Court. No hearing date for the trial on the merits of the case has been set.

Over the course of the past 18 months, the parties have been preparing the record of proceedings (i.e., assembly of the documents upon which the merits of the case will be determined). A dispute has arisen regarding production of certain LAWA records. On September 2, 2014, the Petitioners brought a motion to clarify the administrative record. The motion is set for hearing in Ventura County Superior Court on November 14, 2014. Once the parties have finalized the Administrative Record, a briefing schedule and hearing date will be set for the trial on the merits of the case.

### c. Aviation Security

Concerns about the safety and security of airline travel and the effectiveness of security precautions may influence passenger travel behavior and air travel demand, particularly in the light of existing international hostilities, potential terrorist attacks, and world health concerns. Intensified security precautions have been instituted by government agencies, airlines, and airport operators since the September 11, 2001 terrorist attacks. Intelligence reports have indicated that LAX was a target of a terrorist bombing plot as well as a potential terrorist target. LAWA is unable to predict: (a) the likelihood of future incidents of terrorism and other airline travel disruptions; (b) the impact of the



aforementioned security issues on its operations and revenues; and (c) financial impact to the airlines operating at LAWA's airports.

#### **d. Environmental Issues**

LAWA bears full responsibility for the cleanup of environmental contamination on property it owns. However, if the contamination originated based on contractual arrangements, the tenants are held responsible even if they declare bankruptcy.

As property owner, LAWA assumes the ultimate responsibility for cleanup in the event the tenant is unable to make restitution. Under certain applicable laws, LAWA may become liable for cleaning up soil and groundwater contamination on a property in the event that the previous owner does not perform its remediation obligations. LAWA accrues pollution remediation liabilities when costs are incurred or amounts can be reasonably estimated based on expected outlays. The liability accrued at June 30, 2014 and 2013 was \$12.8 million. LAWA does not expect any recoveries reducing this obligation.

The State Water Resources Control Board (SWRCB) issued a Notice of Violation (NOV) to LAWA generally alleging violations of underground storage tank (UST) construction, monitoring, and testing laws at facilities where LAWA owns and operates USTs. LAWA owns and/or operates 13 USTs (six at LAX, four at VNY and three at ONT). The NOV did not specify any particular violations but the SWRCB subsequently identified a number of alleged violations that are under review along with continued improvement of LAWA's overall UST compliance program.

The California Regional Water Quality Control Board, Lahontan Region (Water Board) issued a Notice of Revised Proposed Cleanup and Abatement Order (Order) to Los Angeles County Sanitation District No. 20 (District) and the City of Los Angeles (City), as Dischargers, with respect to discharges to underground water from the Palmdale Reclamation Plant (Reclamation Plant) owned by the District. The Order states that the discharges have resulted in violations of waste discharge requirements for the Reclamation Plant and prohibitions contained in the Water Quality Control Plan for the Lahontan Region, and that discharges from the Reclamation Plant to unlined ponds and to the Effluent Management Site (owned by the City and now known as the Agricultural Site) have adversely affected and polluted groundwater in the area of the discharges. The Water Board issued an order to the District and LAWA to submit technical reports that include feasibility and costs to remove nitrate from groundwater to certain acceptable levels. The costs and timeframe to perform the Order, along with the apportionment of liability, are uncertain at this time.



## Notes to the Financial Statements

### June 30, 2014 and 2013

(continued)

#### e. Terminal Leases

In January 2007, American Airlines, Inc. (“American”) filed a complaint in Federal District Court alleging that LAWA had imposed new maintenance and operation charges in violation of its lease at LAX. In 2008, LAWA and American entered into an interim settlement agreement (the “ISA”) and pursuant to the ISA, the parties filed a joint stipulation for dismissal of the litigation without prejudice to renew litigation. In January 2014, American and LAWA entered into a settlement agreement (“Final Settlement”) which settled, among other things, the maintenance and operation charges in the lease. Under the Final Settlement, LAWA and American agreed that the dismissal filed in 2008 was deemed to be a dismissal with prejudice; American paid \$14 million in compromise and settlement of all disputes regarding the maintenance and operation charges for the period from January 2011 through December 2013; and LAWA paid for the purchase of certain pavement and terminal improvements, busing credit related to the employee parking lot, and Terminal 4 connector design plans.

#### f. LA/ONT International Airport Local Control

In December 2011, the City of Ontario proposed to LAWA that the operations of ONT be transferred from the City of Los Angeles to the City of Ontario under certain terms. The terms included, among others, paying the City of Los Angeles \$50 million and assumption by the City of Ontario of the existing bonded debt of ONT. In August 2012, the San Bernardino County Board of Supervisors approved the creation of the Ontario International Airport Authority (OIAA) to oversee ONT should the City of Los Angeles relinquish control. The OIAA is a joint powers arrangement between the County of San Bernardino and the City of Ontario.

In September 2012, as directed by the Trade, Commerce and Tourism Committee of the Los Angeles City Council, the City Administrative Officer (CAO) issued a report related to ONT. The report recommended that the Mayor and Council decline the December 2011 proposal of the City of Ontario. The CAO further recommended that LAWA and the City shall negotiate with the City of Ontario, County of San Bernardino, OIAA, and other primary stakeholders to determine the most effective and appropriate ownership and management alternative, and the assigned value of such alternative for ONT.

On June 3, 2013, after rejecting LAWA’s offer to sell ONT at a certain price, the City of Ontario filed a complaint against the City alleging, among other things, breach of contract, breach of implied covenant of good faith and fair dealing, and breach of fiduciary duty, in connection with the operation and management of ONT. The complaint seeks, among other things, unspecified damages and rescission or reformation of the agreements governing the City’s acquisition, operation, and management of ONT.

The City filed a partial motion for summary adjudication on count 4 (rescission) and count 5 (reformation) of the complaint. The motion is scheduled for hearing on October 31, 2014. On September 26, 2014, the City of Ontario filed a cross-motion for summary adjudication on counts 4 and 5 which is also scheduled for hearing on October 31, 2014. No trial date has yet been set. LAWA is contesting the case vigorously but cannot predict the outcome of the lawsuit and at this time, the range of the potential loss is uncertain.



## 16. Other Matter

### City Financial Challenges

Faced with projected gaps in the General Fund budget, the City implemented various measures and considering others to attain a balanced budget. Such measures include elimination of vacancies, reorganization of departmental functions, expense account reductions, and funding realignment from the General Fund to special funds.

LAWA, as a proprietary department under the City Charter, is vested with the management and control of its assets. The budgetary challenges of the City's General Fund as well as the mitigating measures implemented by the Mayor and City Council do not directly affect LAWA's operations. However, auxiliary services provided to LAWA by other City departments may be impacted. In addition, the City's budget challenges may have an adverse effect on the trading value of LAWA's outstanding and future bond issues.

## 17. Subsequent Events

### a. Midfield Satellite Concourse Program

On July 21, 2014, the Board approved the Midfield Satellite Concourse (MSC) Program including the MSC North Project at LAX. The MSC Program consists of a new multi-level concourse located within the western portion of the airfield west of the existing TBIT and associated passenger processing space in proposed Central Terminal Processor (CTP). The MSC Program also includes conveyance systems connecting the MSC and CTP as well as a new taxiway, taxiway, apron, and utilities required to serve the MSC. The overall objective of the MSC Program is to provide LAWA with the flexibility to accommodate existing demand for aircraft gates while modernizing other terminals at LAX and reducing reliance on the West Remote Gates. The new concourse facility will be designed to serve both domestic and international traffic with the ability to accommodate all sizes of the current aircraft fleet at LAX. Due to the size and scale of the MSC Program, LAWA intends to develop the MSC Program in phases. The MSC Project represents Phase one of the overall MSC Program, and includes construction of the northern portion of the multi-story MSC facility and associated improvements. The MSC North Project is intended to improve the terminal operations, concession facilities, and overall passenger experience at LAX. On July 21, 2014, the Board awarded a \$50.0 million contract for the pre-construction and construction services for the MSC North Enabling Project.

### b. West Aircraft Maintenance Area Project

On July 21, 2014, the Board awarded a \$63.7 million contract for the West Aircraft Maintenance Area (WAMA) Project at LAX. The purpose of the WAMA Project is to consolidate, relocate and modernize existing aircraft maintenance facilities at LAX.



## Notes to the Financial Statements

### June 30, 2014 and 2013

(continued)

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#### c. Parking Garage Elevator Upgrades

On July 21, 2014, the Board awarded a \$39.7 million contract for the Parking Garage Elevator Upgrades Project at LAX, with the purpose to upgrade 26 parking garage elevators with new equipment and to update the interior and exterior finishes to improve the overall look of the Central Terminal Area at LAX.

#### d. Terminal 1 Renovations

In fiscal year 2014, LAX began an expansion and modernization program in Terminal 1 to improve efficiency and increase the passenger level of service while meeting evolving federal security requirements. The program includes reconfiguring the existing terminal uses to improve passenger services and amenities, better accommodate security requirements, and improve curbside circulation with a new façade and seismic retrofitting. LAWA, under the expansion and modernization program envisioned in the September 16, 2014 amendment to Southwest's lease, is obligated to acquire up to \$509.8 million of the completed terminal improvements.

#### e. Issuance of Commercial Paper Notes

Between October 8 and October 16 of 2014, LAX issued \$200.0 million of CP notes in multiple series to provide interim financing for capital expenditures at LAX. The CP notes carried interest rates of between 0.09% and 0.13% and had maturities of between 100 and 125 days.



2014 COMPREHENSIVE ANNUAL FINANCIAL REPORT

# Supplemental Information



# Supplemental Information

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# Los Angeles World Airports

(Department of Airports of the City of Los Angeles)

## Combining Schedule of Net Position

### June 30, 2014

(with June 30, 2013 comparative total)  
(amounts in thousands)

	<u>Los Angeles International Airport</u>	<u>LA/Ontario International Airport</u>	<u>Van Nuys Airport</u>
<b>ASSETS</b>			
Current Assets			
Unrestricted current assets			
Cash and pooled investments held in City Treasury	\$ 606,903	\$ 79,430	\$ 4,190
Investments with fiscal agents	6,752	--	--
Accounts receivable, net of allowance for uncollectible accounts: 2014 - \$ 1,675; 2013 - \$6,844	19,237	4	1,818
Unbilled receivables	26,909	609	--
Accrued interest receivable	2,372	270	--
Grants receivable	14,733	125	363
Loans receivable	--	--	164
Receivable from City General Fund	2,606	--	--
Due from (to) other agencies	66,045	(15,985)	--
Prepaid expenses	5,139	120	26
Inventories	1,538	194	38
Total unrestricted current assets	<u>752,234</u>	<u>64,767</u>	<u>6,599</u>
Restricted current assets			
Cash and pooled investments held in City Treasury	1,047,774	66,074	--
Investments with fiscal agents	599,590	175	--
Accrued interest receivable	1,785	93	--
Passenger facility charges receivable	20,961	1,757	--
Customer facility charges receivable	2,986	345	--
Total restricted current assets	<u>1,673,096</u>	<u>68,444</u>	<u>--</u>
Total current assets	<u>2,425,330</u>	<u>133,211</u>	<u>6,599</u>
Noncurrent Assets			
Capital assets			
Not depreciated	2,803,034	30,266	31,222
Depreciated, net	3,650,218	287,584	34,673
Total capital assets	<u>6,453,252</u>	<u>317,850</u>	<u>65,895</u>
Other noncurrent assets			
Restricted investments with fiscal agents	--	6,843	--
Loans receivable, net of current portion	--	--	854
Receivable from City General Fund, net of current portion	11,235	--	--
Total other noncurrent assets	<u>11,235</u>	<u>6,843</u>	<u>854</u>
Total noncurrent assets	<u>6,464,487</u>	<u>324,693</u>	<u>66,749</u>
<b>TOTAL ASSETS</b>	<u>\$ 8,889,817</u>	<u>\$ 457,904</u>	<u>\$ 73,348</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charges on debt refunding	\$ 676	\$ 1,905	\$ --



	<u>Palmdale Property</u>	<u>Total 2014</u>	<u>Total 2013</u>
<b>ASSETS</b>			
Current Assets			
Unrestricted current assets			
Cash and pooled investments held in City Treasury	\$ 2	\$ 690,525	\$ 657,081
Investments with fiscal agents	--	6,752	55
Accounts receivable, net of allowance for uncollectible accounts: 2014 - \$ 1,675; 2013 - \$6,844	144	21,203	35,186
Unbilled receivables	--	27,518	33,032
Accrued interest receivable	--	2,642	3,299
Grants receivable	--	15,221	19,872
Loans receivable	--	164	152
Receivable from City General Fund	--	2,606	816
Due from (to) other agencies	(50,060)	--	--
Prepaid expenses	--	5,285	117
Inventories	--	1,770	1,806
Total unrestricted current assets	<u>(49,914)</u>	<u>773,686</u>	<u>751,416</u>
Restricted current assets			
Cash and pooled investments held in City Treasury	--	1,113,848	1,108,896
Investments with fiscal agents	--	599,765	561,035
Accrued interest receivable	--	1,878	2,910
Passenger facility charges receivable	--	22,718	22,906
Customer facility charges receivable	--	3,331	3,132
Total restricted current assets	<u>--</u>	<u>1,741,540</u>	<u>1,698,879</u>
Total current assets	<u>(49,914)</u>	<u>2,515,226</u>	<u>2,450,295</u>
Noncurrent Assets			
Capital assets			
Not depreciated	92,183	2,956,705	3,878,232
Depreciated, net	9,385	3,981,860	2,507,626
Total capital assets	<u>101,568</u>	<u>6,938,565</u>	<u>6,385,858</u>
Other noncurrent assets			
Restricted investments with fiscal agents	--	6,843	6,843
Loans receivable, net of current portion	--	854	1,018
Receivable from City General Fund, net of current portion	--	11,235	13,841
Total other noncurrent assets	<u>--</u>	<u>18,932</u>	<u>21,702</u>
Total noncurrent assets	<u>101,568</u>	<u>6,957,497</u>	<u>6,407,560</u>
<b>TOTAL ASSETS</b>	<u>\$ 51,654</u>	<u>\$ 9,472,723</u>	<u>\$ 8,857,855</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charges on debt refunding	\$ -	\$ 2,581	\$ 2,795



# Los Angeles World Airports

(Department of Airports of the City of Los Angeles)

## Combining Schedule of Net Position

### June 30, 2014

(with June 30, 2013 comparative total)  
(amounts in thousands)

	<u>Los Angeles International Airport</u>	<u>LA/Ontario International Airport</u>	<u>Van Nuys Airport</u>
<b>LIABILITIES</b>			
Current Liabilities			
Current liabilities payable from unrestricted assets			
Contracts and accounts payable	\$ 317,964	\$ 5,237	\$ 1,325
Accrued salaries	11,438	794	218
Accrued employee benefits	4,464	424	100
Estimated claims payable	7,470	524	131
Commercial paper	52,160	--	--
Unearned revenue	--	--	--
Obligations under securities lending transactions	908	100	--
Other current liabilities	8,268	1,346	245
Total current liabilities payable from unrestricted assets	<u>402,672</u>	<u>8,425</u>	<u>2,019</u>
Current liabilities payable from restricted assets			
Contracts and accounts payable	4,361	18	--
Current maturities of bonded debt	72,390	3,850	--
Accrued interest payable	25,004	400	--
Obligations under securities lending transactions	1,509	89	--
Other current liabilities	8,853	525	--
Total current liabilities payable from restricted assets	<u>112,117</u>	<u>4,882</u>	<u>--</u>
Total current liabilities	<u>514,789</u>	<u>13,307</u>	<u>2,019</u>
Noncurrent Liabilities			
Bonded debt, net of current portion	3,910,421	61,948	--
Accrued employee benefits, net of current portion	36,122	3,426	812
Estimated claims payable, net of current portion	61,401	4,347	963
Liability for environmental/hazardous materials cleanup	12,783	--	--
Net pension obligation	9,062	--	--
Other long-term liabilities	886	--	--
Total noncurrent liabilities	<u>4,030,675</u>	<u>69,721</u>	<u>1,775</u>
<b>TOTAL LIABILITIES</b>	<u>4,545,464</u>	<u>83,028</u>	<u>3,794</u>
<b>NET POSITION</b>			
Net investment in capital assets	2,667,815	253,957	65,896
Restricted for:			
Debt service	325,490	8,906	--
Passenger facility charges funded projects	710,576	38,455	--
Customer facility charges funded projects	182,814	3,176	--
Capital projects reserve	--	9,179	--
Operations and maintenance reserve	164,284	14,314	--
Federally forfeited property and protested funds	1,088	225	--
Unrestricted	292,962	48,569	3,658
<b>TOTAL NET POSITION</b>	<u>\$ 4,345,029</u>	<u>\$ 376,781</u>	<u>\$ 69,554</u>



	<u>Palmdale Property</u>	<u>Total 2014</u>	<u>Total 2013</u>
<b>LIABILITIES</b>			
Current Liabilities			
Current liabilities payable from unrestricted assets			
Contracts and accounts payable	\$ 1,153	\$ 325,679	\$ 161,186
Accrued salaries	--	12,450	10,958
Accrued employee benefits	--	4,988	4,812
Estimated claims payable	--	8,125	6,933
Commercial paper	--	52,160	68,086
Unearned revenue	--	--	9,536
Obligations under securities lending transactions	--	1,008	2,634
Other current liabilities	16	9,875	10,714
Total current liabilities payable from unrestricted assets	<u>1,169</u>	<u>414,285</u>	<u>274,859</u>
Current liabilities payable from restricted assets			
Contracts and accounts payable	--	4,379	3,921
Current maturities of bonded debt	--	76,240	56,890
Accrued interest payable	--	25,404	24,213
Obligations under securities lending transactions	--	1,598	4,668
Other current liabilities	--	9,378	12,433
Total current liabilities payable from restricted assets	<u>--</u>	<u>116,999</u>	<u>102,125</u>
Total current liabilities	<u>1,169</u>	<u>531,284</u>	<u>376,984</u>
Noncurrent Liabilities			
Bonded debt, net of current portion	--	3,972,369	3,801,514
Accrued employee benefits, net of current portion	--	40,360	38,933
Estimated claims payable, net of current portion	--	66,711	66,711
Liability for environmental/hazardous materials cleanup	--	12,783	12,783
Net pension obligation	--	9,062	9,462
Other long-term liabilities	--	886	3,791
Total noncurrent liabilities	<u>--</u>	<u>4,102,171</u>	<u>3,933,194</u>
<b>TOTAL LIABILITIES</b>	<u>1,169</u>	<u>4,633,455</u>	<u>4,310,178</u>
<b>NET POSITION</b>			
Net investment in capital assets	101,567	3,089,235	2,691,560
Restricted for:			
Debt service	--	334,396	316,249
Passenger facility charges funded projects	--	749,031	773,458
Customer facility charges funded projects	--	185,990	155,064
Capital projects reserve	--	9,179	8,876
Operations and maintenance reserve	--	178,598	173,101
Federally forfeited property and protested funds	--	1,313	1,117
Unrestricted	<u>(51,082)</u>	<u>294,107</u>	<u>431,047</u>
<b>TOTAL NET POSITION</b>	<u>\$ 50,485</u>	<u>\$ 4,841,849</u>	<u>\$ 4,550,472</u>



# Los Angeles World Airports

(Department of Airports of the City of Los Angeles)

## Combining Schedule of Revenues, Expenses, and Changes in Net Position For the Fiscal Year Ended June 30, 2014 (with for the fiscal year ended June 30, 2013 comparative total) (amounts in thousands)


	Los Angeles International Airport	LA/Ontario International Airport	Van Nuys Airport	Palmdale Property
<b>OPERATING REVENUE</b>				
Aviation revenue				
Landing fees	\$ 222,608	\$ 11,774	\$ 12	\$ --
Building rentals	315,764	17,766	4,153	1,737
Land rentals	86,534	2,653	12,829	436
Other aviation revenue	3,620	326	1,953	--
Total aviation revenue	628,526	32,519	18,947	2,173
Concession revenue	331,311	23,536	--	--
Other operating revenue	1,892	604	81	--
Total operating revenue	961,729	56,659	19,028	2,173
<b>OPERATING EXPENSES</b>				
Salaries and benefits	356,726	25,735	6,213	3
Contractual services	161,771	12,780	4,171	1,266
Materials and supplies	45,726	3,347	531	--
Utilities	39,089	4,170	415	363
Other operating expenses	16,093	1,190	414	941
Allocated administrative charges	(9,378)	7,160	1,832	386
Total operating expenses before depreciation and amortization	610,027	54,382	13,576	2,959
Operating income (loss) before depreciation and amortization	351,702	2,277	5,452	(786)
Depreciation and amortization	141,795	19,975	3,340	850
<b>OPERATING INCOME (LOSS)</b>	209,907	(17,698)	2,112	(1,636)
<b>NONOPERATING REVENUE (EXPENSES)</b>				
Passenger facility charges	132,809	3,471	--	--
Customer facility charges	28,675	3,670	--	--
Interest income	20,413	1,930	139	--
Net change in fair value of investments	1,799	141	--	--
Interest expense	(133,694)	(3,311)	--	--
Other nonoperating revenue	11,122	779	--	--
Other nonoperating expenses	(1,928)	--	--	--
Total nonoperating revenue, net	59,196	6,680	139	--
<b>INCOME (LOSS) BEFORE CAPITAL GRANTS AND INTER-AGENCY TRANSFERS</b>				
	269,103	(11,018)	2,251	(1,636)
Federal and other government grants	24,674	285	7,718	--
Inter-agency transfers	6,329	--	(6,329)	--
<b>CHANGE IN NET POSITION</b>	300,106	(10,733)	3,640	(1,636)
<b>NET POSITION, BEG. OF YEAR, AS PREVIOUSLY REPORTED</b>	4,044,923	387,514	65,914	52,121
Change in accounting principle	--	--	--	--
<b>NET POSITION, BEG. OF YEAR, AS RESTATED</b>	4,044,923	387,514	65,914	52,121
<b>NET POSITION, END OF YEAR</b>	\$ 4,345,029	\$ 376,781	\$ 69,554	\$ 50,485





	<u>Total before eliminations</u>	<u>Elimin- ations</u>	<u>Total 2014</u>	<u>Total 2013</u>
<b>OPERATING REVENUE</b>				
Aviation revenue				
Landing fees	\$ 234,394	\$ --	\$ 234,394	\$ 227,683
Building rentals	339,420	--	339,420	285,873
Land rentals	102,452	(1,083)	101,369	94,694
Other aviation revenue	5,899	--	5,899	6,336
Total aviation revenue	682,165	(1,083)	681,082	614,586
Concession revenue	354,847	--	354,847	328,636
Other operating revenue	2,577	--	2,577	3,571
Total operating revenue	1,039,589	(1,083)	1,038,506	946,793
<b>OPERATING EXPENSES</b>				
Salaries and benefits	388,677	--	388,677	371,708
Contractual services	179,988	--	179,988	184,139
Materials and supplies	49,604	--	49,604	52,158
Utilities	44,037	--	44,037	37,089
Other operating expenses	18,638	(1,083)	17,555	19,939
Allocated administrative charges	--	--	--	--
Total operating expenses before depreciation and amortization	680,944	(1,083)	679,861	665,033
Operating income (loss) before depreciation and amortization	358,645	--	358,645	281,760
Depreciation and amortization	165,960	--	165,960	159,719
<b>OPERATING INCOME (LOSS)</b>	<u>192,685</u>	<u>--</u>	<u>192,685</u>	<u>122,041</u>
<b>NONOPERATING REVENUE (EXPENSES)</b>				
Passenger facility charges	136,280	--	136,280	130,512
Customer facility charges	32,345	--	32,345	30,896
Interest income	22,482	--	22,482	27,749
Net change in fair value of investments	1,940	--	1,940	(24,764)
Interest expense	(137,005)	--	(137,005)	(97,089)
Other nonoperating revenue	11,901	--	11,901	12,098
Other nonoperating expenses	(1,928)	--	(1,928)	(2,058)
Total nonoperating revenue, net	66,015	--	66,015	77,344
<b>INCOME (LOSS) BEFORE CAPITAL GRANTS AND INTER-AGENCY TRANSFERS</b>				
	258,700	--	258,700	199,385
Federal and other government grants	32,677	--	32,677	17,972
Inter-agency transfers	--	--	--	--
<b>CHANGE IN NET POSITION</b>	<u>291,377</u>	<u>--</u>	<u>291,377</u>	<u>217,357</u>
<b>NET POSITION, BEG. OF YEAR, AS PREVIOUSLY REPORTED</b>	<u>4,550,472</u>	<u>--</u>	<u>4,550,472</u>	<u>4,355,882</u>
Change in accounting principle	--	--	--	(22,767)
<b>NET POSITION, BEG. OF YEAR, AS RESTATED</b>	<u>4,550,472</u>	<u>--</u>	<u>4,550,472</u>	<u>4,333,115</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 4,841,849</u>	<u>\$ --</u>	<u>\$ 4,841,849</u>	<u>\$ 4,550,472</u>

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2014 COMPREHENSIVE ANNUAL FINANCIAL REPORT

# Statistical Section

# Statistical Section Contents

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The Statistical Section's objective is to provide users of LAWA's financial statements with additional historical perspective, context and detail to assist in using the information presented in the financial statements, notes to the financial statements, and supplemental information to assess LAWA's economic condition.



# Los Angeles World Airports

(Department of Airports of the City of Los Angeles)

## Statistical Section (Unaudited)

### Fiscal Year Ended June 30, 2014

The Statistical Section provides information with up to ten years of comparable data.

### Financial Trend and Revenue Capacity

The financial trend schedules depict the financial position of LAWA over the years. The information provided allows for an understanding of how revenues and expenses have changed over the years. The revenue capacity schedules present the significant sources of LAWA’s operating revenues.

- Net Position Summary..... page 78
- Operating Revenue..... page 82
- Operating Expenses Per Enplaned Passenger..... page 86
- Changes in Net Position..... page 80
- Gross Concession Revenue Per Enplaned Passenger..... page 84
- Landing Fee Rates.....page 88

### Debt Capacity

The schedules present LAWA’s outstanding debt over the years, related debt service ratios, and LAWA’s ability to repay the outstanding debt and ability to issue additional debt in the future.

- Outstanding Debt by Type and Debt Ratios.....page 90
- Revenue Bonds Debt Service Coverage..... page 92

### Operating Information

The schedules provide information on the distribution of LAWA’s carriers, passenger traffic, airport personnel, and capital assets.

- Airline Landing Weight Trend..... page 94
- Employee Trend.....page 102
- Enplaned Passengers Data..... page 98
- Schedule of Capital Assets..... page 104

### Demographic and Economic Data

The schedules offer demographic and economic indicators to help readers understand the environment within which LAWA’s financial activities occur.

- Air Trade Area Population..... page 106
- Air Trade Area Personal Income..... page 107
- Air Trade Area Personal Income Per Capita.....page 108
- Air Trade Area Unemployment Rate..... page 109
- Los Angeles County Principal Employers (Non-Government)..... page 110



# Los Angeles World Airports

(Department of Airports of the City of Los Angeles)

## Net Position Summary

### Last Ten Fiscal Years June 30

(amounts in thousands)

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Assets</b>					
Current assets - unrestricted	\$ 773,686	\$ 751,416	\$ 835,785	\$ 973,345	\$ 770,751
Current assets - restricted	1,741,540	1,698,879	2,352,742	2,807,009	1,715,836
Noncurrent assets					
Capital assets, net	6,938,565	6,385,858	5,331,736	4,459,842	3,966,292
Other noncurrent assets	18,932	21,702	45,437	102,166	489,445
<b>Total assets</b>	<u>9,472,723</u>	<u>8,857,855</u>	<u>8,565,700</u>	<u>8,342,362</u>	<u>6,942,324</u>
<b>Deferred outflow of resources</b>					
Deferred charges on debt refunding	2,581	2,795	-	-	-
<b>Liabilities</b>					
Current liabilities - payable from unrestricted assets	414,285	274,859	382,293	338,685	359,225
Current liabilities - payable from restricted assets	116,999	102,125	110,482	169,554	89,256
Noncurrent liabilities	4,102,171	3,933,194	3,717,043	3,757,733	2,711,343
<b>Total liabilities</b>	<u>4,633,455</u>	<u>4,310,178</u>	<u>4,209,818</u>	<u>4,265,972</u>	<u>3,159,824</u>
<b>Net Position</b>					
Net investment in capital assets	3,089,235	2,691,560	2,407,904	2,061,683	2,013,081
Restricted for:					
Debt service	334,396	316,249	388,458	486,955	345,116
PFCs funded projects	749,031	773,458	801,001	699,754	695,184
CFCs funded projects	185,990	155,064	127,802	105,651	76,490
Central utility plant	--	--	--	13,709	13,709
Capital projects reserve	9,179	8,876	8,552	6,000	10,584
O&M reserve	178,598	173,101	175,543	155,200	155,200
Fed. forfeited property & protested funds	1,313	1,117	1,141	779	5,965
Unrestricted	294,107	431,047	445,481	546,659	467,171
<b>Total net position</b>	<u>\$ 4,841,849</u>	<u>\$ 4,550,472</u>	<u>\$ 4,355,882</u>	<u>\$ 4,076,390</u>	<u>\$ 3,782,500</u>



	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>Assets</b>					
Current assets - unrestricted	\$ 676,544	\$ 601,602	\$ 651,841	\$ 652,481	\$ 752,144
Current assets - restricted	1,064,230	962,547	857,575	685,132	552,580
Noncurrent assets					
Capital assets, net	3,261,207	2,830,640	2,381,724	2,034,536	1,912,508
Other noncurrent assets	<u>8,098</u>	<u>3,351</u>	<u>3,732</u>	<u>3,947</u>	<u>4,371</u>
<b>Total assets</b>	<u>5,010,079</u>	<u>4,398,140</u>	<u>3,894,872</u>	<u>3,376,096</u>	<u>3,221,603</u>
<b>Deferred outflow of resources</b>					
Deferred charges on debt refunding	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Liabilities</b>					
Current liabilities - payable from unrestricted assets	220,164	531,194	352,029	176,846	186,526
Current liabilities - payable from restricted assets	110,483	142,473	173,868	133,350	133,656
Noncurrent liabilities	<u>1,180,396</u>	<u>493,931</u>	<u>491,529</u>	<u>431,998</u>	<u>440,411</u>
<b>Total liabilities</b>	<u>1,511,043</u>	<u>1,167,598</u>	<u>1,017,426</u>	<u>742,194</u>	<u>760,593</u>
<b>Net Position</b>					
Net investment in capital assets	2,084,626	2,157,223	1,996,389	1,641,095	1,478,500
Restricted for:					
Debt service	115,601	35,523	35,213	37,412	38,073
PFCs funded projects	574,620	506,505	410,594	352,861	224,752
CFCs funded projects	52,666	30,927	1,997	1,291	528
Central utility plant	39,721	--	--	--	--
Capital projects reserve	10,568	10,367	5,952	21,670	21,740
O&M reserve	155,200	156,407	153,379	151,147	154,432
Fed. forfeited property & protested funds	34,268	1,301	252	282	284
Unrestricted	<u>431,766</u>	<u>332,289</u>	<u>273,670</u>	<u>428,144</u>	<u>543,001</u>
<b>Total net position</b>	<u>\$ 3,499,036</u>	<u>\$ 3,230,542</u>	<u>\$ 2,877,446</u>	<u>\$ 2,633,902</u>	<u>\$ 2,461,310</u>

PFCs – Passenger Facility Charges  
CFCs – Customer Facility Charges  
O&M – Operations and Maintenance



# Los Angeles World Airports

(Department of Airports of the City of Los Angeles)

## Changes in Net Position

### Last Ten Fiscal Years Ended June 30

(amounts in thousands)

	2014	2013	2012	2011	2010
<b>Operating revenue</b>					
Aviation revenue					
Landing fees	\$ 234,394	\$ 227,683	\$ 218,224	\$ 203,424	\$ 185,911
Building rentals	339,420	285,873	274,183	249,267	224,228
Land rentals	101,369	94,694	92,529	99,624	65,454
Other aviation revenue	5,899	6,336	8,456	4,033	4,078
Concession revenue	354,847	328,636	304,670	290,494	264,730
Other operating revenue	2,577	3,571	4,095	4,324	3,408
Total operating revenue	<u>1,038,506</u>	<u>946,793</u>	<u>902,157</u>	<u>851,166</u>	<u>747,809</u>
<b>Nonoperating revenue</b>					
Passenger facility charges	136,280	130,512	130,769	128,084	121,519
Customer facility charges	32,345	30,896	29,643	27,821	25,638
Investment income	24,422	2,985	36,014	31,801	47,898
Other nonoperating revenue	11,901	12,098	15,848	13,918	25,158
Total nonoperating revenue	<u>204,948</u>	<u>176,491</u>	<u>212,274</u>	<u>201,624</u>	<u>220,213</u>
<b>Total revenue</b>	<u>1,243,454</u>	<u>1,123,284</u>	<u>1,114,431</u>	<u>1,052,790</u>	<u>968,022</u>
<b>Operating expenses</b>					
Salaries and benefits	388,677	371,708	376,042	359,700	360,033
Contractual services	179,988	184,139	182,487	161,784	161,751
Materials and supplies	49,604	52,158	39,881	37,343	37,283
Utilities	44,037	37,089	35,048	34,392	33,668
Depreciation and amortization	165,960	159,719	151,654	130,805	108,221
Other operating expenses	17,555	19,939	24,258	23,704	24,221
Total operating expenses	<u>845,821</u>	<u>824,752</u>	<u>809,370</u>	<u>747,728</u>	<u>725,177</u>
<b>Nonoperating expenses</b>					
Interest expense	137,005	97,089	86,700	82,501	39,349
Other nonoperating expenses	1,928	2,058	1,310	3,842	987
Total nonoperating expenses	<u>138,933</u>	<u>99,147</u>	<u>88,010</u>	<u>86,343</u>	<u>40,336</u>
<b>Total expenses</b>	<u>984,754</u>	<u>923,899</u>	<u>897,380</u>	<u>834,071</u>	<u>765,513</u>
<b>Income before capital grants</b>	258,700	199,385	217,051	218,719	202,509
Federal and other grants	32,677	17,972	62,441	75,171	80,955
<b>Changes in net position</b>	<u>291,377</u>	<u>217,357</u>	<u>279,492</u>	<u>293,890</u>	<u>283,464</u>
<b>Net position, beg. of year, as previously reported</b>	4,550,472	4,355,882	4,076,390	3,782,500	3,499,036
Change in accounting principle	--	(22,767)	--	--	--
<b>Net position, beg. of year, as restated</b>	<u>4,550,472</u>	<u>4,333,115</u>	<u>4,076,390</u>	<u>3,782,500</u>	<u>3,499,036</u>
<b>Net position, end of year</b>	<u>\$ 4,841,849</u>	<u>\$ 4,550,472</u>	<u>\$ 4,355,882</u>	<u>\$ 4,076,390</u>	<u>\$ 3,782,500</u>





	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>Operating revenue</b>					
Aviation revenue					
Landing fees	\$ 185,553	\$ 193,805	\$ 172,495	\$ 162,037	\$ 147,990
Building rentals	220,731	184,151	144,082	149,782	134,852
Land rentals	59,536	61,992	57,810	58,324	54,813
Other aviation revenue	4,648	8,007	5,909	3,767	3,291
Concession revenue	273,669	286,296	260,275	235,049	224,034
Other operating revenue	5,234	5,373	5,783	4,382	3,905
Total operating revenue	<u>749,371</u>	<u>739,624</u>	<u>646,354</u>	<u>613,341</u>	<u>568,885</u>
<b>Nonoperating revenue</b>					
Passenger facility charges	113,852	129,125	125,515	124,223	122,283
Customer facility charges	26,145	29,820	4,837	4,887	4,333
Investment income	60,094	78,827	59,695	21,520	33,594
Other nonoperating revenue	10,999	6,391	9,908	3,689	7,440
Total nonoperating revenue	<u>211,090</u>	<u>244,163</u>	<u>199,955</u>	<u>154,319</u>	<u>167,650</u>
<b>Total revenue</b>	<u>960,461</u>	<u>983,787</u>	<u>846,309</u>	<u>767,660</u>	<u>736,535</u>
<b>Operating expenses</b>					
Salaries and benefits	348,504	344,322	303,678	275,031	237,588
Contractual services	169,474	173,994	162,826	172,510	156,576
Materials and supplies	45,173	45,502	50,464	41,261	45,967
Utilities	34,348	33,608	25,524	28,282	29,023
Depreciation and amortization	108,887	105,762	92,230	83,945	76,189
Other operating expenses	23,622	29,647	28,595	30,445	29,903
Total operating expenses	<u>730,008</u>	<u>732,835</u>	<u>663,317</u>	<u>631,474</u>	<u>575,246</u>
<b>Nonoperating expenses</b>					
Interest expense	24,541	22,474	20,922	18,861	23,847
Other nonoperating expenses	27,487	674	614	7,023	390
Total nonoperating expenses	<u>52,028</u>	<u>23,148</u>	<u>21,536</u>	<u>25,884</u>	<u>24,237</u>
<b>Total expenses</b>	<u>782,036</u>	<u>755,983</u>	<u>684,853</u>	<u>657,358</u>	<u>599,483</u>
<b>Income before capital grants</b>	178,425	227,804	161,456	110,302	137,052
Federal and other grants	90,069	125,292	82,088	62,590	1,798
<b>Changes in net position</b>	268,494	353,096	243,544	172,892	138,850
<b>Net position, beg. of year, as previously reported</b>	3,230,542	2,877,446	2,633,902	2,461,010	2,322,160
Change in accounting principle	--	--	--	--	--
<b>Net position, beg. of year, as restated</b>	<u>3,230,542</u>	<u>2,877,446</u>	<u>2,633,902</u>	<u>2,461,010</u>	<u>2,322,160</u>
<b>Net position, end of year</b>	<u>\$ 3,499,036</u>	<u>\$ 3,230,542</u>	<u>\$ 2,877,446</u>	<u>\$ 2,633,902</u>	<u>\$ 2,461,010</u>

Certain prior years' data was reclassified to conform to the fiscal year 2014 presentation.



# Los Angeles World Airports

(Department of Airports of the City of Los Angeles)

## Operating Revenue

### Last Ten Fiscal Years Ended June 30

(amounts in thousands)

	2014	2013	2012	2011	2010
<b>Landing fees</b>					
Permitted/signatory	\$ 233,947	\$ 227,132	\$ 217,403	\$ 202,899	\$ 184,703
Non-permitted/non-signatory	447	551	821	525	1,208
Total landing fees	<u>234,394</u>	<u>227,683</u>	<u>218,224</u>	<u>203,424</u>	<u>185,911</u>
<b>Building rentals</b>					
Terminals	274,836	229,023	216,366	193,566	185,372
Other buildings	64,584	56,850	57,817	55,701	38,856
Total building rentals	<u>339,420</u>	<u>285,873</u>	<u>274,183</u>	<u>249,267</u>	<u>224,228</u>
<b>Land rentals</b>	<u>101,369</u>	<u>94,694</u>	<u>92,529</u>	<u>99,624</u>	<u>65,454</u>
<b>Other aviation revenue</b>					
Plane parking	942	875	967	724	821
Fuel fee	2,175	2,200	2,142	2,230	1,954
Other	2,782	3,261	5,347	1,079	1,303
Total other aviation revenue	<u>5,899</u>	<u>6,336</u>	<u>8,456</u>	<u>4,033</u>	<u>4,078</u>
<b>Concession revenue</b>					
Duty free	55,756	50,409	45,434	36,743	26,338
Food and beverage	37,354	37,747	34,217	37,784	32,288
Gifts and news	22,227	23,019	18,411	19,214	17,826
Commercial management concession	9,078	30	--	--	--
Advertising	18,603	20,936	18,763	18,938	15,083
Foreign exchange	6,508	6,356	6,572	6,533	6,381
Telecommunications	879	761	1,109	1,920	1,824
Luggage carts	2,786	2,690	2,792	2,780	2,748
Automated teller machines	3,840	3,620	3,400	3,400	3,400
Subtotal- In-terminal	<u>157,031</u>	<u>145,568</u>	<u>130,698</u>	<u>127,312</u>	<u>105,888</u>
Auto parking	93,391	87,398	84,270	81,822	80,567
Rent-a-car	83,621	77,303	70,982	65,500	63,823
Bus, limousine, and taxi	10,889	9,390	8,969	6,940	6,211
Flyaway bus service	9,915	8,977	9,751	8,920	8,241
Subtotal- Off-terminal	<u>197,816</u>	<u>183,068</u>	<u>173,972</u>	<u>163,182</u>	<u>158,842</u>
Total concession revenue	<u>354,847</u>	<u>328,636</u>	<u>304,670</u>	<u>290,494</u>	<u>264,730</u>
<b>Other operating revenue</b>					
Sales and service	1,201	1,216	2,573	2,442	2,095
Miscellaneous	1,376	2,355	1,522	1,882	1,313
Total other operating revenue	<u>2,577</u>	<u>3,571</u>	<u>4,095</u>	<u>4,324</u>	<u>3,408</u>
<b>Total operating revenue</b>	<u>\$ 1,038,506</u>	<u>\$ 946,793</u>	<u>\$ 902,157</u>	<u>\$ 851,166</u>	<u>\$ 747,809</u>



	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>Landing fees</b>					
Permitted/signatory	\$ 183,432	\$ 187,587	\$ 171,673	\$ 160,995	\$ 147,033
Non-permitted/non-signatory	2,121	6,218	822	1,042	957
Total landing fees	<u>185,553</u>	<u>193,805</u>	<u>172,495</u>	<u>162,037</u>	<u>147,990</u>
<b>Building rentals</b>					
Terminals	183,947	147,398	105,586	111,112	101,097
Other buildings	36,784	36,753	38,496	38,670	33,755
Total building rentals	<u>220,731</u>	<u>184,151</u>	<u>144,082</u>	<u>149,782</u>	<u>134,852</u>
<b>Land rentals</b>	<u>59,536</u>	<u>61,992</u>	<u>57,810</u>	<u>58,324</u>	<u>54,813</u>
<b>Other aviation revenue</b>					
Plane parking	871	1,108	1,346	1,082	946
Fuel fee	990	2,144	1,237	1,163	1,146
Other	2,787	4,755	3,326	1,522	1,199
Total other aviation revenue	<u>4,648</u>	<u>8,007</u>	<u>5,909</u>	<u>3,767</u>	<u>3,291</u>
<b>Concession revenue</b>					
Duty free	30,502	35,380	32,037	28,465	31,129
Food and beverage	33,102	31,356	29,941	24,135	22,482
Gifts and news	18,391	19,047	17,918	18,417	17,254
Commercial management concession	--	--	--	--	--
Advertising	14,764	15,359	4,585	--	--
Foreign exchange	6,613	6,937	6,784	6,566	6,370
Telecommunications	2,759	2,133	1,957	713	709
Luggage carts	2,703	2,766	2,785	3,478	3,621
Automated teller machines	3,400	2,643	1,939	1,930	1,868
Subtotal- In-terminal	<u>112,234</u>	<u>115,621</u>	<u>97,946</u>	<u>83,704</u>	<u>83,433</u>
Auto parking	84,180	94,619	92,917	89,036	85,830
Rent-a-car	64,929	64,717	59,854	54,360	47,583
Bus, limousine, and taxi	6,327	6,601	6,367	5,412	5,029
Flyaway bus service	5,999	4,738	3,191	2,537	2,159
Subtotal- Off-terminal	<u>161,435</u>	<u>170,675</u>	<u>162,329</u>	<u>151,345</u>	<u>140,601</u>
Total concession revenue	<u>273,669</u>	<u>286,296</u>	<u>260,275</u>	<u>235,049</u>	<u>224,034</u>
<b>Other operating revenue</b>					
Sales and service	2,541	2,911	3,306	2,463	2,436
Miscellaneous	2,693	2,462	2,477	1,919	1,469
Total other operating revenue	<u>5,234</u>	<u>5,373</u>	<u>5,783</u>	<u>4,382</u>	<u>3,905</u>
<b>Total operating revenue</b>	<u>\$ 749,371</u>	<u>\$ 739,624</u>	<u>\$ 646,354</u>	<u>\$ 613,341</u>	<u>\$ 568,885</u>

Certain prior years' data was reclassified to conform to the fiscal year 2014 presentation.



# Los Angeles World Airports

(Department of Airports of the City of Los Angeles)

## Gross Concession Revenue Per Enplaned Passenger

### Last Ten Fiscal Years Ended June 30

(amounts in thousands, except per enplaned)

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Los Angeles International Airport</b>					
In-terminal					
Duty free	\$ 55,756	\$ 50,409	\$ 45,434	\$ 36,743	\$ 26,338
Food and beverage	36,619	36,475	32,956	36,579	31,109
Gifts and news	21,353	21,912	17,282	17,998	16,713
Commercial management conce	9,078	30	--	--	--
Advertising	17,784	19,875	17,433	17,419	13,676
Foreign exchange	6,508	6,356	6,572	6,533	6,381
Telecommunications	850	732	976	1,714	1,629
Luggage carts	2,676	2,580	2,682	2,680	2,638
Automated teller machines	3,750	3,303	2,856	2,856	2,856
Off-terminal					
Auto parking	79,914	73,932	69,945	66,575	64,661
Rent-a-car	76,558	70,517	64,361	58,647	56,752
Bus, limousine, and taxi	10,550	9,041	8,519	6,531	5,917
Flyaway bus service	9,915	8,977	9,751	8,920	8,241
Total gross concession revenue	<u>331,311</u>	<u>304,139</u>	<u>278,767</u>	<u>263,195</u>	<u>236,911</u>
Total enplaned passengers	34,334	32,524	31,519	30,281	29,003
Gross concession revenue per enplaned passenger	<u>\$ 9.65</u>	<u>\$ 9.35</u>	<u>\$ 8.84</u>	<u>\$ 8.69</u>	<u>\$ 8.17</u>
<b>LA/Ontario International Airport</b>					
In-terminal					
Food and beverage	\$ 735	\$ 1,272	\$ 1,261	\$ 1,205	\$ 1,179
Gifts and news	874	1,107	1,129	1,215	1,113
Advertising	819	1,061	1,330	1,519	1,407
Telecommunications	29	29	131	197	185
Luggage carts	110	110	110	101	110
Automated teller machines	90	317	544	544	544
Off-terminal					
Auto parking	13,477	13,466	14,325	15,246	15,906
Rent-a-car	7,063	6,786	6,621	6,853	7,071
Bus, limousine, and taxi	339	349	450	410	294
Total gross concession revenue	<u>23,536</u>	<u>24,497</u>	<u>25,901</u>	<u>27,290</u>	<u>27,809</u>
Total enplaned passengers	2,003	2,076	2,209	2,367	2,417
Gross concession revenue per enplaned passenger	<u>\$ 11.75</u>	<u>\$ 11.80</u>	<u>\$ 11.73</u>	<u>\$ 11.53</u>	<u>\$ 11.51</u>



	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>Los Angeles International Airport</b>					
In-terminal					
Duty free	\$ 30,502	\$ 35,380	\$ 32,037	\$ 28,465	\$ 31,129
Food and beverage	31,804	30,080	28,731	22,890	21,383
Gifts and news	17,106	17,598	16,559	16,460	16,484
Commercial management conce	--	--	--	--	--
Advertising	13,086	13,768	4,300	--	--
Foreign exchange	6,613	6,937	6,784	6,533	6,338
Telecommunications	2,475	1,953	1,766	659	680
Luggage carts	2,593	2,654	2,669	3,343	3,476
Automated teller machines	2,856	2,203	1,610	1,582	1,528
Off-terminal					
Auto parking	67,289	74,004	72,917	67,790	66,348
Rent-a-car	56,891	55,336	50,761	45,564	40,647
Bus, limousine, and taxi	5,882	6,044	5,852	4,741	4,352
Flyaway bus service	5,999	4,738	3,191	2,537	2,159
Total gross concession revenue	<u>243,096</u>	<u>250,695</u>	<u>227,177</u>	<u>200,564</u>	<u>194,524</u>
Total enplaned passengers	28,329	31,142	30,803	30,655	30,548
Gross concession revenue per enplaned passenger	<u>\$ 8.58</u>	<u>\$ 8.05</u>	<u>\$ 7.38</u>	<u>\$ 6.54</u>	<u>\$ 6.37</u>
<b>LA/Ontario International Airport</b>					
Food and beverage	\$ 1,297	\$ 1,275	\$ 1,210	\$ 1,239	\$ 1,090
Gifts and news	1,285	1,449	1,359	1,957	770
Advertising	1,678	1,591	285	--	--
Telecommunications	266	179	188	48	28
Luggage carts	110	112	116	135	145
Automated teller machines	544	440	329	316	306
Off-terminal					
Auto parking	16,890	20,612	19,997	19,679	18,339
Rent-a-car	8,038	9,381	9,093	8,796	6,936
Bus, limousine, and taxi	445	557	515	671	677
Total gross concession revenue	<u>30,553</u>	<u>35,596</u>	<u>33,092</u>	<u>32,841</u>	<u>28,291</u>
Total enplaned passengers	2,631	3,549	3,533	3,605	3,517
Gross concession revenue per enplaned passenger	<u>\$ 11.61</u>	<u>\$ 10.03</u>	<u>\$ 9.37</u>	<u>\$ 9.11</u>	<u>\$ 8.04</u>



# Los Angeles World Airports

(Department of Airports of the City of Los Angeles)

## Operating Expenses Per Enplaned Passenger Last Ten Fiscal Years Ended June 30 (amounts in thousands, except per enplaned)

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Los Angeles International Airport</b>					
Salaries and benefits	\$ 356,726	\$ 338,004	\$ 339,551	\$ 323,522	\$ 317,000
Contractual services	161,771	162,661	162,071	143,684	141,253
Materials and supplies	45,726	47,908	35,986	32,699	32,661
Utilities	39,089	32,472	30,664	29,606	28,832
Other operating expenses	16,093	18,383	22,023	21,712	21,213
Administrative charges allocated to ONT, VNY & PMD	<u>(9,378)</u>	<u>(9,998)</u>	<u>(10,135)</u>	<u>(9,995)</u>	<u>(11,407)</u>
Total operating expenses before depreciation	610,027	589,430	580,160	541,228	529,552
Total enplaned passengers	34,334	32,524	31,519	30,281	29,003
Operating expenses per enplaned passenger	<u>\$ 17.77</u>	<u>\$ 18.12</u>	<u>\$ 18.41</u>	<u>\$ 17.87</u>	<u>\$ 18.26</u>
<b>LA/Ontario International Airport</b>					
Salaries and benefits	\$ 25,735	\$ 28,128	\$ 29,612	\$ 30,026	\$ 35,346
Contractual services	12,780	16,115	15,482	14,852	15,324
Materials and supplies	3,347	3,556	3,167	3,889	3,884
Utilities	4,170	4,087	3,808	4,110	3,970
Other operating expenses	1,190	1,233	1,279	1,424	1,476
Administrative charges allocated from LAX	<u>7,160</u>	<u>7,907</u>	<u>7,908</u>	<u>8,129</u>	<u>8,999</u>
Total operating expenses before depreciation	54,382	61,026	61,256	62,430	68,999
Total enplaned passengers	2,003	2,076	2,209	2,367	2,417
Operating expenses per enplaned passenger	<u>\$ 27.15</u>	<u>\$ 29.40</u>	<u>\$ 27.73</u>	<u>\$ 26.38</u>	<u>\$ 28.55</u>



	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>Los Angeles International Airport</b>					
Salaries and benefits	\$ 298,612	\$ 291,015	\$ 255,536	\$ 231,313	\$ 199,238
Contractual services	148,627	151,155	141,306	148,606	135,313
Materials and supplies	38,738	37,870	43,313	34,043	37,692
Utilities	29,018	27,674	20,101	23,633	24,378
Other operating expenses	20,841	24,645	21,649	26,214	23,185
Administrative charges allocated to ONT, VNY & PMD	<u>(12,925)</u>	<u>(14,627)</u>	<u>(13,381)</u>	<u>(12,485)</u>	<u>(11,853)</u>
Total operating expenses before depreciation	522,911	517,732	468,524	451,324	407,953
Total enplaned passengers	28,329	31,142	30,803	30,655	30,548
Operating expenses per enplaned passenger	<u>\$ 18.46</u>	<u>\$ 16.62</u>	<u>\$ 15.21</u>	<u>\$ 14.72</u>	<u>\$ 13.35</u>
<b>LA/Ontario International Airport</b>					
Salaries and benefits	\$ 38,722	\$ 42,012	\$ 39,391	\$ 35,376	\$ 31,014
Contractual services	15,522	14,279	18,071	16,423	15,377
Materials and supplies	4,527	5,958	6,070	5,971	7,162
Utilities	4,519	4,951	4,912	3,838	3,827
Other operating expenses	1,201	2,300	2,426	2,132	3,608
Administrative charges allocated from LAX	<u>9,742</u>	<u>10,883</u>	<u>10,629</u>	<u>9,557</u>	<u>9,108</u>
Total operating expenses before depreciation	74,233	80,383	81,499	73,297	70,096
Total enplaned passengers	2,631	3,549	3,533	3,605	3,517
Operating expenses per enplaned passenger	<u>\$ 28.21</u>	<u>\$ 22.65</u>	<u>\$ 23.07</u>	<u>\$ 20.33</u>	<u>\$ 19.93</u>



# Los Angeles World Airports

(Department of Airports of the City of Los Angeles)

## Landing Fee Rates

### Last Ten Fiscal Years Ended June 30

#### Los Angeles International Airport

Fiscal Year	Permitted air carriers		Non-permitted air carriers	
	Passenger	Cargo	Passenger	Cargo
2014	\$ 4.34	\$ 3.58	\$ 5.75	\$ 4.73
2013	4.38	3.61	5.58	4.71
2012	4.24	3.56	5.45	4.46
2011	4.06	3.31	5.08	4.18
2010	3.74	3.02	5.09	4.16
2009	3.88	3.21	4.81	4.05
2008	3.42	2.84	4.19	3.40
2007	3.01	2.50	3.76	3.10
2006	2.86	2.56	3.55	3.15
2005	2.66	2.38	3.37	2.98

#### LA/Ontario International Airport

Fiscal Year	Signatory airlines	Non-signatory airlines
	passenger and cargo	passenger and cargo
2014	\$ 2.51	\$ 2.94
2013	2.29	2.90
2012	1.97	2.90
2011	2.28	2.94
2010	2.49	3.45
2009	2.54	3.38
2008	2.15	3.04
2007	2.24	2.86
2006	2.22	2.56
2005	1.91	2.20

The above rates are assessed per 1,000 pounds of maximum gross landing weight for each landing of aircraft having a maximum gross landing weight of more than 25,000 pounds. Different rates apply for less than 12,000 pounds, and up to and including 25,000 pounds.

Landing rates are adopted by the Board of Airport Commissioners and become effective beginning July 1 of each fiscal year. The adopted rates are based on budgeted operating revenue and expenses. A reconciliation between the actual amounts against the estimates used in initial calculation may result in a year-end adjustment to unbilled receivables.



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# Los Angeles World Airports

(Department of Airports of the City of Los Angeles)

## Outstanding Debt by Type and Debt Ratios

### Last Ten Fiscal Years Ended June 30

(amounts in thousands, except per enplaned)

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Los Angeles International Airport</b>					
Outstanding debt					
Revenue bonds	\$ 3,872,650	\$ 3,684,010	\$ 3,507,375	\$ 3,552,360	\$ 2,521,185
Commercial paper notes	52,160	68,086	162,199	115,012	147,116
Total outstanding debt	<u>\$ 3,924,810</u>	<u>\$ 3,752,096</u>	<u>\$ 3,669,574</u>	<u>\$ 3,667,372</u>	<u>\$ 2,668,301</u>
Debt service - revenue bonds					
Principal	\$ 53,220	\$ 38,250	\$ 44,985	\$ 38,670	\$ 21,205
Interest, net of capitalized amount	157,758	91,258	86,019	80,655	26,770
Total debt service	<u>\$ 210,978</u>	<u>\$ 129,508</u>	<u>\$ 131,004</u>	<u>\$ 119,325</u>	<u>\$ 47,975</u>
Total enplaned passengers	34,334	32,524	31,519	30,281	29,003
Outstanding debt per enplaned passenger	\$ 114.31	\$ 115.36	\$ 116.42	\$ 121.11	\$ 92.00
Debt service per enplaned passenger	\$ 6.14	\$ 3.98	\$ 4.16	\$ 3.94	\$ 1.65
<b>LA/Ontario International Airport</b>					
Outstanding debt					
Revenue bonds	<u>\$ 63,425</u>	<u>\$ 67,095</u>	<u>\$ 70,570</u>	<u>\$ 73,885</u>	<u>\$ 77,055</u>
Debt service - revenue bonds					
Principal	\$ 3,670	\$ 3,475	\$ 3,315	\$ 3,170	\$ 3,000
Interest, net of capitalized amount	3,373	3,540	3,691	3,836	3,973
Total debt service	<u>\$ 7,043</u>	<u>\$ 7,015</u>	<u>\$ 7,006</u>	<u>\$ 7,006</u>	<u>\$ 6,973</u>
Total enplaned passengers	2,003	2,076	2,209	2,367	2,417
Outstanding debt per enplaned passenger	\$ 31.67	\$ 32.32	\$ 31.95	\$ 31.21	\$ 31.88
Debt service per enplaned passenger	\$ 3.52	\$ 3.38	\$ 3.17	\$ 2.96	\$ 2.88



	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>Los Angeles International Airport</b>					
Outstanding debt					
Revenue bonds	\$ 1,034,395	\$ 205,635	\$ 218,050	\$ 229,870	\$ 251,110
Commercial paper notes	<u>96,989</u>	<u>330,228</u>	<u>178,745</u>	<u>--</u>	<u>15,500</u>
Total outstanding debt	<u>\$ 1,131,384</u>	<u>\$ 535,863</u>	<u>\$ 396,795</u>	<u>\$ 229,870</u>	<u>\$ 266,610</u>
Debt service - revenue bonds					
Principal	\$ 15,575	\$ 12,415	\$ 11,820	\$ 21,240	\$ 22,390
Interest, net of capitalized amount	<u>16,184</u>	<u>9,238</u>	<u>10,351</u>	<u>10,889</u>	<u>11,322</u>
Total debt service	<u>\$ 31,759</u>	<u>\$ 21,653</u>	<u>\$ 22,171</u>	<u>\$ 32,129</u>	<u>\$ 33,712</u>
Total enplaned passengers	28,329	31,142	30,803	30,655	30,548
Outstanding debt per enplaned passenger	\$ 39.94	\$ 17.21	\$ 12.88	\$ 7.50	\$ 8.73
Debt service per enplaned passenger	\$ 1.12	\$ 0.70	\$ 0.72	\$ 1.05	\$ 1.10
<b>LA/Ontario International Airport</b>					
Outstanding debt					
Revenue bonds	<u>\$ 80,055</u>	<u>\$ 82,910</u>	<u>\$ 85,625</u>	<u>\$ 107,300</u>	<u>\$ 109,945</u>
Debt service - revenue bonds					
Principal	\$ 2,855	\$ 2,715	\$ 4,530	\$ 2,645	\$ 2,495
Interest, net of capitalized amount	<u>4,116</u>	<u>4,253</u>	<u>2,415</u>	<u>6,678</u>	<u>6,820</u>
Total debt service	<u>\$ 6,971</u>	<u>\$ 6,968</u>	<u>\$ 6,945</u>	<u>\$ 9,323</u>	<u>\$ 9,315</u>
Total enplaned passengers	2,631	3,549	3,533	3,605	3,517
Outstanding debt per enplaned passenger	\$ 30.43	\$ 23.36	\$ 24.24	\$ 29.76	\$ 31.26
Debt service per enplaned passenger	\$ 2.65	\$ 1.96	\$ 1.97	\$ 2.59	\$ 2.65



# Los Angeles World Airports

(Department of Airports of the City of Los Angeles)

## Revenue Bonds Debt Service Coverage

### Last Ten Fiscal Years Ended June 30

(amounts in thousands, except debt service coverage)

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Los Angeles International Airport</b>					
Operating revenue	\$ 961,729	\$ 865,473	\$ 822,090	\$ 767,844	\$ 655,701
Adjustments to arrive at pledged revenue <sup>(1)</sup>	<u>(489,291)</u>	<u>(542,930)</u>	<u>(519,677)</u>	<u>(492,571)</u>	<u>(503,710)</u>
Net pledged revenue	<u>\$ 472,438</u>	<u>\$ 322,543</u>	<u>\$ 302,413</u>	<u>\$ 275,273</u>	<u>\$ 151,991</u>
Debt service, principal and interest					
Senior lien bonds	\$ 159,062	\$ 79,886	\$ 85,753	\$ 79,095	\$ 24,710
Subordinate lien bonds	<u>51,916</u>	<u>49,622</u>	<u>45,251</u>	<u>40,230</u>	<u>23,265</u>
Total debt service	<u>\$ 210,978</u>	<u>\$ 129,508</u>	<u>\$ 131,004</u>	<u>\$ 119,325</u>	<u>\$ 47,975</u>
Debt service coverage					
Senior lien bonds	2.97	4.04	3.53	3.48	6.15
Subordinate lien bonds	6.04	4.89	4.79	4.88	5.47
Total bonds	2.24	2.49	2.31	2.31	3.17
<b>LA/Ontario International Airport</b>					
Operating revenue	\$ 56,659	\$ 63,849	\$ 61,296	\$ 66,886	\$ 72,380
Adjustments to arrive at pledged revenue <sup>(2)</sup>	<u>(46,533)</u>	<u>(53,780)</u>	<u>(50,935)</u>	<u>(56,361)</u>	<u>(62,579)</u>
Net pledged revenue	<u>\$ 10,126</u>	<u>\$ 10,069</u>	<u>\$ 10,361</u>	<u>\$ 10,525</u>	<u>\$ 9,801</u>
Debt service					
Principal	\$ 3,670	\$ 3,475	\$ 3,315	\$ 3,170	\$ 3,000
Interest	<u>3,373</u>	<u>3,540</u>	<u>3,691</u>	<u>3,836</u>	<u>3,973</u>
Total debt service	<u>\$ 7,043</u>	<u>\$ 7,015</u>	<u>\$ 7,006</u>	<u>\$ 7,006</u>	<u>\$ 6,973</u>
Debt service coverage					
	1.44	1.44	1.48	1.50	1.41



	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>Los Angeles International Airport</b>					
Operating revenue	\$ 651,271	\$ 631,311	\$ 542,744	\$ 518,296	\$ 481,908
Adjustments to arrive at pledged revenue <sup>(1)</sup>	<u>(480,522)</u>	<u>(482,559)</u>	<u>(436,698)</u>	<u>(421,750)</u>	<u>(387,469)</u>
Net pledged revenue	<u>\$ 170,749</u>	<u>\$ 148,752</u>	<u>\$ 106,046</u>	<u>\$ 96,546</u>	<u>\$ 94,439</u>
Debt service, principal and interest					
Senior lien bonds	\$ 18,433	\$ 19,300	\$ 19,306	\$ 29,852	\$ 32,326
Subordinate lien bonds	<u>13,326</u>	<u>2,353</u>	<u>2,865</u>	<u>2,277</u>	<u>1,386</u>
Total debt service	<u>\$ 31,759</u>	<u>\$ 21,653</u>	<u>\$ 22,171</u>	<u>\$ 32,129</u>	<u>\$ 33,712</u>
Debt service coverage					
Senior lien bonds	9.26	7.71	5.49	3.23	2.92
Subordinate lien bonds	11.43	55.02	30.28	29.29	44.81
Total bonds	5.38	6.87	4.78	3.00	2.80
<b>LA/Ontario International Airport</b>					
Operating revenue	\$ 75,019	\$ 85,058	\$ 82,808	\$ 78,521	\$ 76,546
Adjustments to arrive at pledged revenue <sup>(2)</sup>	<u>(65,364)</u>	<u>(72,203)</u>	<u>(72,717)</u>	<u>(65,201)</u>	<u>(62,269)</u>
Net pledged revenue	<u>\$ 9,655</u>	<u>\$ 12,855</u>	<u>\$ 10,091</u>	<u>\$ 13,320</u>	<u>\$ 14,277</u>
Debt service					
Principal	\$ 2,855	\$ 2,715	\$ 4,530	\$ 2,645	\$ 2,495
Interest	<u>4,116</u>	<u>4,253</u>	<u>2,415</u>	<u>6,678</u>	<u>6,820</u>
Total debt service	<u>\$ 6,971</u>	<u>\$ 6,968</u>	<u>\$ 6,945</u>	<u>\$ 9,323</u>	<u>\$ 9,315</u>
Debt service coverage					
	1.39	1.84	1.45	1.43	1.53

<sup>(1)</sup> Adjustments include BABs subsidy; interest income net of PFCs, CFCs and construction funds; rental credits; and M&O expenses net of PFCs funded. LAX has received approval from FAA to collect and use PFCs to pay for debt service on certain bonds. The amounts used for this purpose were \$96.5 million, \$34.4 million, \$25.2 million, and \$19.0 million in fiscal years 2014, 2013, 2012, and 2011, respectively.

<sup>(2)</sup> Adjustments include interest income net of PFCs, CFCs and construction funds; rental credits; M&O expenses net of PFCs and CFCs funded and 15% allocated administrative costs; and beginning cash balance adjustment.



# Los Angeles World Airports

(Department of Airports of the City of Los Angeles)

## Airline Landing Weight Trend

### Last Ten Fiscal Years Ended June 30

(landing weight in thousand pounds)

Carrier	2014			2013			2012		
	Landing weight	% to total	Rank	Landing weight	% to total	Rank	Landing weight	% to total	Rank
<b>Los Angeles International Airport</b>									
United Airlines <sup>(5)(7)</sup>	7,947,887	15.1%	1	5,345,557	10.6%	3	5,186,869	10.4%	2
American Airlines <sup>(6)</sup>	7,042,141	13.4%	2	6,529,038	13.0%	1	5,886,364	11.8%	1
Delta Air Lines <sup>(1)</sup>	6,670,030	12.7%	3	5,650,964	11.3%	2	4,641,153	9.3%	3
Southwest Airlines	4,637,202	8.8%	4	4,641,112	9.2%	4	4,601,662	9.2%	4
Virgin America <sup>(2)</sup>	2,070,384	3.9%	5	1,905,138	3.8%	5	1,634,820	3.3%	7
Federal Express	1,740,088	3.3%	6	1,662,347	3.3%	6	1,628,897	3.3%	8
Alaska Airlines	1,718,274	3.3%	7	1,611,321	3.2%	7	1,518,762	3.0%	9
Qantas Airlines	1,304,899	2.5%	8	1,275,920	2.5%	9	1,331,893	2.7%	10
Korean Airlines	1,179,599	2.2%	9	1,189,653	2.4%	10	1,200,835	2.4%	11
US Airways <sup>(6)</sup>	1,066,394	2.0%	10	987,982	2.0%	12	1,003,778	2.0%	13
Skywest Airlines <sup>(7)</sup>	--	0.0%	--	1,425,626	2.8%	8	2,295,517	4.6%	5
Continental Airlines <sup>(5)</sup>	--	0.0%	--	1,142,672	2.3%	11	1,745,543	3.5%	6
Northwest Airlines <sup>(1)</sup>	--	--	--	--	--	--	--	--	--
All Others	17,195,759	32.7%	--	16,839,497	33.5%	--	17,321,539	34.6%	--
<b>Total</b>	<b>52,572,657</b>			<b>50,206,827</b>			<b>49,997,632</b>		
Change from prior year	4.7%			0.4%			3.3%		
<b>LA/Ontario International Airport</b>									
United Parcel Service	1,701,834	36.4%	1	1,698,421	34.7%	1	1,699,558	33.4%	1
Southwest Airlines	1,394,440	29.8%	2	1,484,052	30.3%	2	1,559,950	30.7%	2
Federal Express	574,750	12.3%	3	601,544	12.3%	3	587,865	11.6%	3
US Airways <sup>(3)</sup>	242,757	5.2%	4	246,759	5.0%	4	250,058	4.9%	4
Alaska Airlines	186,175	4.0%	5	192,940	3.9%	5	204,156	4.0%	5
American Airlines	185,999	4.0%	6	179,440	3.7%	6	182,482	3.6%	6
Delta Air Lines	98,846	2.1%	8	130,733	2.7%	8	160,626	3.2%	7
Expressjet <sup>(4)</sup>	--	--	--	--	--	--	--	--	--
America West <sup>(3)</sup>	--	--	--	--	--	--	--	--	--
All Others	290,839	6.2%	--	367,166	7.5%	--	438,349	8.6%	--
<b>Total</b>	<b>4,675,640</b>			<b>4,901,055</b>			<b>5,083,044</b>		
Change from prior year	-4.6%			-3.6%			-1.9%		



Carrier	2011			2010			2009		
	Landing weight	% to total	Rank	Landing weight	% to total	Rank	Landing weight	% to total	Rank
<b>Los Angeles International Airport</b>									
United Airlines <sup>(5)(7)</sup>	5,584,145	11.5%	1	5,602,302	11.8%	2	5,667,801	12.1%	2
American Airlines <sup>(6)</sup>	5,570,846	11.5%	2	5,616,948	11.9%	1	5,765,733	12.3%	1
Delta Air Lines <sup>(1)</sup>	4,487,225	9.3%	4	3,504,530	7.4%	4	2,549,234	5.5%	4
Southwest Airlines	4,737,254	9.8%	3	4,744,526	10.0%	3	5,068,050	10.9%	3
Virgin America <sup>(2)</sup>	1,331,658	2.7%	9	1,079,918	2.3%	11	923,066	2.0%	13
Federal Express	1,605,640	3.3%	6	1,523,405	3.2%	6	1,642,089	3.5%	5
Alaska Airlines	1,433,511	3.0%	7	1,365,625	2.9%	8	1,530,621	3.3%	7
Qantas Airlines	1,243,114	2.6%	10	1,426,256	3.0%	7	1,434,230	3.1%	9
Korean Airlines	1,219,303	2.5%	11	1,249,739	2.7%	10	1,138,866	2.4%	12
US Airways <sup>(6)</sup>	1,023,668	2.1%	12	987,948	2.1%	12	1,231,410	2.6%	11
Skywest Airlines <sup>(7)</sup>	2,187,953	4.5%	5	1,865,047	3.9%	5	1,634,395	3.5%	6
Continental Airlines <sup>(5)</sup>	1,402,854	2.9%	8	1,305,333	2.8%	9	1,286,451	2.8%	10
Northwest Airlines <sup>(1)</sup>	--	--	--	826,879	1.7%	14	1,458,649	3.1%	8
All Others	16,595,181	34.3%	--	16,238,486	34.3%	--	15,368,438	32.9%	--
Total	<u>48,422,352</u>			<u>47,336,942</u>			<u>46,699,033</u>		
Change from prior year		2.3%			1.4%			-10.4%	
<b>LA/Ontario International Airport</b>									
United Parcel Service	1,672,356	32.3%	1	1,662,990	30.9%	2	1,947,908	32.9%	2
Southwest Airlines	1,671,134	32.2%	2	1,814,598	33.7%	1	1,951,978	32.9%	1
Federal Express	527,135	10.2%	3	529,717	9.8%	3	473,081	8.0%	3
US Airways <sup>(3)</sup>	237,037	4.6%	4	232,029	4.3%	4	230,973	3.9%	4
Alaska Airlines	139,378	2.7%	9	136,921	2.5%	9	148,517	2.5%	7
American Airlines	203,236	3.9%	5	217,590	4.0%	5	212,100	3.6%	5
Delta Air Lines	84,768	1.6%	10	111,534	2.1%	10	126,030	2.1%	9
Expressjet <sup>(4)</sup>	--	0.0%	--	--	0.0%	--	66,364	1.1%	12
America West <sup>(3)</sup>	--	0.0%	--	--	0.0%	--	--	0.0%	--
All Others	647,349	12.5%	--	683,643	12.7%	--	771,629	13.0%	--
Total	<u>5,182,393</u>			<u>5,389,022</u>			<u>5,928,580</u>		
Change from prior year		-3.8%			-9.1%			-17.9%	



## Airline Landing Weight Trend (continued)

### Last Ten Fiscal Years Ended June 30

(landing weight in thousand pounds)

Carrier	2008			2007			2006		
	Landing weight	% to total	Rank	Landing weight	% to total	Rank	Landing weight	% to total	Rank
<b>Los Angeles International Airport</b>									
United Airlines <sup>(5)(7)</sup>	6,558,553	12.6%	1	7,144,632	13.7%	1	6,224,562	12.0%	2
American Airlines <sup>(6)</sup>	6,203,061	11.9%	2	6,342,564	12.1%	2	7,261,268	14.0%	1
Delta Air Lines <sup>(1)</sup>	3,033,961	5.8%	4	3,116,374	6.0%	4	2,990,123	5.8%	4
Southwest Airlines	5,092,746	9.8%	3	4,982,430	9.5%	3	5,004,196	9.7%	3
Virgin America <sup>(2)</sup>	520,530	1.0%	24	--	0.0%	--	--	0.0%	--
Federal Express	1,775,030	3.4%	6	1,876,769	3.6%	5	1,936,856	3.7%	5
Alaska Airlines	1,684,252	3.2%	7	1,831,490	3.5%	6	1,714,678	3.3%	6
Qantas Airlines	1,442,048	2.8%	9	1,435,397	2.7%	9	1,409,692	2.7%	9
Korean Airlines	1,138,390	2.2%	12	1,117,802	2.1%	11	1,147,742	2.2%	11
US Airways <sup>(6)</sup>	1,315,542	2.5%	11	572,932	1.1%	23	549,158	1.0%	22
Skywest Airlines <sup>(7)</sup>	1,787,682	3.4%	5	1,752,097	3.4%	7	1,641,276	3.2%	8
Continental Airlines <sup>(5)</sup>	1,387,393	2.7%	10	1,421,707	2.7%	10	1,329,656	2.6%	10
Northwest Airlines <sup>(1)</sup>	1,572,800	3.0%	8	1,652,306	3.2%	8	1,700,969	3.3%	7
All Others	18,586,957	35.7%	--	19,039,309	36.4%	--	18,893,022	36.5%	--
Total	<u>52,098,945</u>			<u>52,285,809</u>			<u>51,803,198</u>		
Change from prior year	-0.4%			0.9%			-0.8%		
<b>LA/Ontario International Airport</b>									
United Parcel Service	1,996,001	27.6%	2	2,076,966	28.3%	2	1,934,103	26.8%	2
Southwest Airlines	2,268,106	31.4%	1	2,311,754	31.5%	1	2,311,538	32.1%	1
Federal Express	538,784	7.5%	3	574,084	7.8%	3	534,784	7.4%	3
US Airways <sup>(3)</sup>	328,823	4.5%	5	--	0.0%	--	--	0.0%	--
Alaska Airlines	202,480	2.8%	9	188,944	2.6%	8	190,098	2.6%	8
American Airlines	229,294	3.2%	8	230,591	3.1%	7	263,639	3.7%	7
Delta Air Lines	260,499	3.6%	6	326,389	4.4%	5	384,139	5.3%	4
Expressjet <sup>(4)</sup>	426,861	5.9%	4	102,207	1.4%	12	--	0.0%	--
America West <sup>(3)</sup>	--	0.0%	--	336,622	4.6%	4	337,184	4.7%	5
All Others	971,981	13.5%	--	1,195,833	16.3%	--	1,251,977	17.4%	--
Total	<u>7,222,829</u>			<u>7,343,390</u>			<u>7,207,462</u>		
Change from prior year	-1.6%			1.9%			2.0%		





Carrier	2005		
	Landing weight	% to total	Rank
<b>Los Angeles International Airport</b>			
United Airlines <sup>(5)(7)</sup>	7,255,290	13.9%	1
American Airlines <sup>(6)</sup>	6,530,522	12.5%	2
Delta Air Lines <sup>(1)</sup>	3,277,142	6.3%	4
Southwest Airlines	4,880,226	9.3%	3
Virgin America <sup>(2)</sup>	--	0.0%	--
Federal Express	1,956,507	3.7%	5
Alaska Airlines	1,747,446	3.3%	6
Qantas Airlines	1,338,635	2.6%	9
Korean Airlines	1,166,751	2.2%	12
US Airways <sup>(6)</sup>	610,310	1.2%	20
Skywest Airlines <sup>(7)</sup>	1,579,730	3.0%	8
Continental Airlines <sup>(5)</sup>	1,292,606	2.5%	10
Northwest Airlines <sup>(1)</sup>	1,644,806	3.1%	7
All Others	18,947,920	36.3%	
Total	<u>52,227,891</u>		
Change from prior year		1.3%	

<sup>(1)</sup> Northwest Airlines merged into Delta Air Lines and the integration was completed in January 2010

<sup>(2)</sup> Virgin America operated at LAX beginning 2008

<sup>(5)</sup> United Airlines merged with Continental Airlines in early 2014.

<sup>(6)</sup> American Airlines (AA) merged with US Airways in December 2013. AA and US Airways will continue to operate as separate airlines until their operations have been fully integrated, which may take 18 to 24 months.

<sup>(7)</sup> In FY14, United includes Skywest United Express landing weights.

Note: The list presents top ten airlines for each year and their rank throughout the ten-year period.

### LA/Ontario International Airport

United Parcel Service	1,870,370	26.5%	2
Southwest Airlines	2,330,516	33.0%	1
Federal Express	505,685	7.2%	3
US Airways <sup>(3)</sup>	172	0.0%	50
Alaska Airlines	234,443	3.3%	7
American Airlines	300,780	4.3%	6
Delta Air Lines	318,010	4.5%	5
Expressjet <sup>(4)</sup>	--	0.0%	--
America West <sup>(3)</sup>	345,843	4.9%	4
All Others	1,161,262	16.4%	
Total	<u>7,067,081</u>		
Change from prior year		0.9%	

<sup>(3)</sup> America West merged into US Airways in late 2005

<sup>(4)</sup> Expressjet operated at ONT from 2007 to 2009

Note: The list presents top five airlines for each year and their rank throughout the ten-year period.



# Los Angeles World Airports

(Department of Airports of the City of Los Angeles)

## Enplaned Passengers Data Last Ten Fiscal Years Ended June 30

Carrier	2014			2013			2012		
	Enplaned passengers	% to total	Rank	Enplaned passengers	% to total	Rank	Enplaned passengers	% to total	Rank
<b>Los Angeles International Airport</b>									
United Airlines <sup>(7), (8)</sup>	6,568,648	19.1%	1	4,391,393	13.5%	2	3,610,573	11.5%	2
American Airlines <sup>(9)</sup>	5,329,141	15.5%	2	5,058,105	15.6%	1	4,598,923	14.6%	1
Delta Air Lines <sup>(1)</sup>	5,038,929	14.7%	3	4,171,972	12.8%	3	3,231,000	10.3%	4
Southwest Airlines	3,796,292	11.0%	4	3,703,743	11.4%	4	3,516,770	11.2%	3
Alaska Airlines	1,741,179	5.1%	5	1,623,552	5.0%	5	1,522,926	4.8%	6
Virgin America <sup>(2)</sup>	1,658,310	4.8%	6	1,569,289	4.8%	6	1,387,310	4.4%	8
US Airways <sup>(3)</sup>	1,035,543	3.0%	7	970,442	3.0%	8	964,577	3.1%	9
Qantas Airlines	602,278	1.8%	8	575,310	1.8%	10	603,170	1.9%	11
Air Canada	495,695	1.4%	9	459,937	1.4%	12	468,793	1.5%	12
JetBlue Airways	446,183	1.3%	10	424,534	1.3%	13	358,326	1.1%	13
Skywest Airlines <sup>(8)</sup>	--	--	--	1,187,347	3.7%	7	1,887,638	6.0%	5
Continental Airlines <sup>(7)</sup>	--	--	--	965,486	3.0%	9	1,515,549	4.8%	7
Northwest Airlines <sup>(1)</sup>	--	--	--	--	--	--	--	--	--
Mexicana Airlines <sup>(4)</sup>	--	--	--	--	--	--	--	--	--
America West <sup>(3)</sup>	--	--	--	--	--	--	--	--	--
All Others	7,621,340	22.3%		7,423,068	22.8%		7,853,569	24.9%	
<b>Total</b>	<b>34,333,538</b>			<b>32,524,178</b>			<b>31,519,124</b>		
Change from prior year	5.6%			3.2%			4.1%		
<b>LA/Ontario International Airport</b>									
Southwest Airlines	1,151,948	57.5%	1	1,151,530	55.5%	1	1,168,315	52.9%	1
US Airways <sup>(5)</sup>	192,686	9.6%	2	192,820	9.3%	2	195,957	8.9%	2
American Airlines <sup>(9)</sup>	188,211	9.4%	3	183,418	8.8%	4	187,825	8.5%	3
Alaska Airlines	177,156	8.8%	4	185,924	9.0%	3	183,525	8.3%	4
Skywest Airlines	124,737	6.2%	5	78,237	3.8%	7	83,911	3.8%	8
Delta Air Lines	89,025	4.4%	6	113,439	5.5%	6	141,135	6.4%	5
United Airlines	39,933	2.0%	7	138,427	6.7%	5	103,207	4.7%	7
Continental Airlines	--	--	--	--	--	--	104,957	4.8%	6
Expressjet <sup>(6)</sup>	--	--	--	--	--	--	--	--	--
America West <sup>(5)</sup>	--	--	--	--	--	--	--	--	--
All Others	39,063	2.0%		32,538	1.6%		40,238	1.8%	
<b>Total</b>	<b>2,002,759</b>			<b>2,076,333</b>			<b>2,209,070</b>		
Change from prior year	-3.5%			-6.0%			-6.7%		



Carrier	2011			2010			2009		
	Enplaned passengers	% to total	Rank	Enplaned passengers	% to total	Rank	Enplaned passengers	% to total	Rank
<b>Los Angeles International Airport</b>									
United Airlines <sup>(7), (8)</sup>	3,838,593	12.7%	2	3,833,352	13.2%	2	3,871,963	13.7%	2
American Airlines <sup>(9)</sup>	4,304,325	14.2%	1	4,257,396	14.7%	1	4,277,478	15.1%	1
Delta Air Lines <sup>(1)</sup>	3,441,646	11.4%	4	2,704,832	9.3%	4	2,145,884	7.6%	4
Southwest Airlines	3,512,432	11.6%	3	3,389,180	11.7%	3	3,556,203	12.6%	3
Alaska Airlines	1,384,992	4.6%	6	1,300,025	4.5%	6	1,360,046	4.8%	5
Virgin America <sup>(2)</sup>	1,085,506	3.6%	8	893,567	3.1%	9	733,879	2.6%	10
US Airways <sup>(3)</sup>	981,885	3.2%	9	958,824	3.3%	8	1,060,803	3.7%	9
Qantas Airlines	571,004	1.9%	10	606,970	2.1%	11	590,960	2.1%	12
Air Canada	438,868	1.4%	12	416,345	1.4%	14	424,024	1.5%	13
JetBlue Airways	264,531	0.9%	20	151,538	0.5%	33	7,746	0.0%	64
Skywest Airlines <sup>(8)</sup>	1,777,359	5.9%	5	1,441,834	5.0%	5	1,289,602	4.6%	6
Continental Airlines <sup>(7)</sup>	1,238,177	4.1%	7	1,214,520	4.2%	7	1,104,162	3.9%	7
Northwest Airlines <sup>(1)</sup>	--	--	--	620,804	2.1%	10	1,091,261	3.9%	8
Mexicana Airlines <sup>(4)</sup>	80,708	0.3%	44	529,007	1.8%	12	596,599	2.1%	11
America West <sup>(3)</sup>	--	--	--	--	--	--	--	--	--
All Others	7,360,513	24.3%		6,684,948	23.0%		6,218,368	22.0%	
Total	<u>30,280,539</u>			<u>29,003,142</u>			<u>28,328,978</u>		
Change from prior year	4.4%			2.4%			-9.0%		
<b>LA/Ontario International Airport</b>									
Southwest Airlines	1,259,699	53.2%	1	1,278,752	52.9%	1	1,412,930	53.7%	1
US Airways <sup>(5)</sup>	197,557	8.3%	3	188,537	7.8%	3	205,250	7.8%	2
American Airlines <sup>(9)</sup>	203,897	8.6%	2	212,397	8.8%	2	197,943	7.5%	3
Alaska Airlines	129,564	5.5%	6	124,560	5.2%	7	121,414	4.6%	6
Skywest Airlines	148,527	6.3%	4	136,028	5.6%	6	96,243	3.7%	8
Delta Air Lines	79,061	3.3%	8	97,965	4.1%	8	120,822	4.6%	7
United Airlines	125,359	5.3%	7	143,238	5.9%	5	162,653	6.2%	4
Continental Airlines	141,027	6.0%	5	147,384	6.1%	4	144,210	5.5%	5
Expressjet <sup>(6)</sup>	--	--	--	--	--	--	54,269	2.1%	10
America West <sup>(5)</sup>	--	--	--	--	--	--	--	--	--
All Others	82,429	3.5%		88,224	3.7%		115,458	4.4%	
Total	<u>2,367,120</u>			<u>2,417,085</u>			<u>2,631,192</u>		
Change from prior year	-2.1%			-8.1%			-25.9%		



## Enplaned Passengers Data (continued) Last Ten Fiscal Years Ended June 30

Carrier	2008			2007			2006		
	Enplaned passengers	% to total	Rank	Enplaned passengers	% to total	Rank	Enplaned passengers	% to total	Rank
<b>Los Angeles International Airport</b>									
United Airlines <sup>(7), (8)</sup>	4,360,069	14.0%	2	4,826,434	15.7%	1	4,825,156	15.7%	1
American Airlines <sup>(9)</sup>	4,611,217	14.8%	1	4,679,905	15.2%	2	4,642,853	15.1%	2
Delta Air Lines <sup>(1)</sup>	2,358,251	7.6%	4	2,312,650	7.5%	4	2,230,835	7.3%	4
Southwest Airlines	3,851,867	12.4%	3	3,817,855	12.4%	3	3,930,014	12.8%	3
Alaska Airlines	1,409,966	4.5%	5	1,479,679	4.8%	5	1,459,669	4.8%	5
Virgin America <sup>(2)</sup>	343,589	1.1%	17	--	--	--	--	--	--
US Airways <sup>(3)</sup>	1,110,117	3.6%	9	495,365	1.6%	14	474,258	1.5%	14
Qantas Airlines	614,211	2.0%	11	620,142	2.0%	10	594,801	1.9%	11
Air Canada	477,779	1.5%	13	508,083	1.6%	13	487,446	1.6%	13
JetBlue Airways	150	0.0%	71	--	--	--	--	--	--
Skywest Airlines <sup>(8)</sup>	1,383,225	4.4%	6	1,425,685	4.6%	6	1,317,516	4.3%	6
Continental Airlines <sup>(7)</sup>	1,143,870	3.7%	7	1,170,936	3.8%	7	1,085,628	3.5%	8
Northwest Airlines <sup>(1)</sup>	1,133,442	3.6%	8	1,129,526	3.7%	8	1,118,732	3.6%	7
Mexicana Airlines <sup>(4)</sup>	636,272	2.0%	10	572,616	1.9%	11	712,492	2.3%	10
America West <sup>(3)</sup>	--	--	--	742,902	2.4%	9	812,785	2.7%	9
All Others	7,708,314	24.8%		7,021,692	22.8%		6,962,961	22.7%	
<b>Total</b>	<b>31,142,339</b>			<b>30,803,470</b>			<b>30,655,146</b>		
Change from prior year	1.1%			0.5%			0.3%		
<b>LA/Ontario International Airport</b>									
Southwest Airlines	1,731,689	48.8%	1	1,774,212	50.2%	1	1,770,226	49.1%	1
US Airways <sup>(5)</sup>	247,920	7.0%	3	--	--	--	--	--	--
American Airlines <sup>(9)</sup>	219,614	6.2%	5	221,952	6.3%	5	248,497	6.9%	4
Alaska Airlines	155,492	4.4%	7	146,968	4.2%	8	153,817	4.3%	6
Skywest Airlines	112,316	3.2%	9	151,362	4.3%	6	124,173	3.4%	8
Delta Air Lines	242,279	6.8%	4	275,411	7.8%	2	294,999	8.2%	2
United Airlines	197,140	5.6%	6	225,434	6.4%	4	242,703	6.7%	5
Continental Airlines	138,542	3.9%	8	147,383	4.2%	7	150,386	4.2%	7
Expressjet <sup>(6)</sup>	291,514	8.2%	2	44,593	1.3%	13	--	--	--
America West <sup>(5)</sup>	--	--	--	259,470	7.3%	3	266,980	7.4%	3
All Others	212,376	6.0%		286,152	8.1%		353,139	9.8%	
<b>Total</b>	<b>3,548,882</b>			<b>3,532,937</b>			<b>3,604,920</b>		
Change from prior year	0.5%			-2.0%			2.5%		



Carrier	2005		Rank
	Enplaned passengers	% to total	
<b>Los Angeles International Airport</b>			
United Airlines <sup>(7), (8)</sup>	4,858,603	15.9%	1
American Airlines <sup>(9)</sup>	4,492,113	14.7%	2
Delta Air Lines <sup>(1)</sup>	2,329,863	7.6%	4
Southwest Airlines	3,763,817	12.3%	3
Alaska Airlines	1,436,584	4.7%	5
Virgin America <sup>(2)</sup>	--	0.0%	--
US Airways <sup>(3)</sup>	519,329	1.7%	12
Qantas Airlines	569,952	1.9%	11
Air Canada	449,757	1.5%	14
JetBlue Airways	--	--	--
Skywest Airlines <sup>(8)</sup>	1,277,811	4.2%	6
Continental Airlines <sup>(7)</sup>	970,303	3.2%	9
Northwest Airlines <sup>(1)</sup>	1,103,405	3.6%	7
Mexicana Airlines <sup>(4)</sup>	618,550	2.0%	10
America West <sup>(3)</sup>	986,751	3.2%	8
All Others	7,171,413	23.5%	
Total	<u>30,548,251</u>		
Change from prior year		5.0%	

#### LA/Ontario International Airport

Southwest Airlines	1,782,652	50.7%	1
US Airways <sup>(5)</sup>	--	0.0%	--
American Airlines <sup>(9)</sup>	255,392	7.3%	3
Alaska Airlines	184,339	5.2%	6
Skywest Airlines	113,500	3.2%	8
Delta Air Lines	241,275	6.9%	4
United Airlines	191,374	5.4%	5
Continental Airlines	123,396	3.5%	7
Expressjet <sup>(6)</sup>	--	--	--
America West <sup>(5)</sup>	273,548	7.8%	2
All Others	351,752	10.0%	
Total	<u>3,517,228</u>		
Change from prior year		3.9%	

<sup>(1)</sup> Northwest Airlines merged into Delta Air Lines and the integration was completed in January 2010

<sup>(2)</sup> Virgin America operated at LAX beginning 2008

<sup>(3)</sup> America West merged into US Airways in late 2005

<sup>(4)</sup> Following its filing for Chapter 15 bankruptcy, Mexicana Airlines suspended its operations at LAX in August 2010

<sup>(7)</sup> United Airlines merged with Continental Airlines in early 2014.

<sup>(8)</sup> In FY14, United includes Skywest United Express enplanements.

<sup>(9)</sup> American Airlines merged with US Airways in December 2013. The passengers data reflects only the American Airlines data.

Note: The list presents top ten airlines for each year and their rank throughout the ten-year period.

<sup>(5)</sup> America West merged into US Airways in late 2005

<sup>(6)</sup> Expressjet operated at ONT from 2007 to 2009

Note: The list presents top five airlines for each year and their rank throughout the ten-year period.



# Los Angeles World Airports

(Department of Airports of the City of Los Angeles)

## Employee Trend

### Last Ten Fiscal Years Ended June 30

<u>Division/Group</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Administration	26	25	53	46	50
Airports Development	56	64	60	36	36
Business and Job Resources	18	19	20	21	26
Chief Financial Officer	26	16	17	17	18
Comptroller	111	127	118	120	119
Concessions Development	15	15	9	14	14
Facilities Management	1,442	1,457	1,456	1,461	1,441
Governmental Affairs	20	15	16	17	15
Human Resources	79	73	70	69	66
Information Management and Technology	162	163	162	161	160
Landside Business Management	9	14	10	14	18
Law Enforcement and Protection Services	912	903	906	908	905
Operations and Emergency Management	484	512	526	522	538
Procurement Services	39	38	39	39	39
Public, Media and Community Relations	45	43	41	43	49
Real Estate Services	40	43	39	37	29
Terminal Business Management	7	8	10	10	12
Total	<u>3,491</u>	<u>3,535</u>	<u>3,552</u>	<u>3,535</u>	<u>3,535</u>



<u>Division/Group</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Administration	56	54	52	45	45
Airports Development	27	24	29	21	21
Business and Job Resources	31	52	44	45	52
Chief Financial Officer	16	16	10	15	13
Comptroller	125	113	114	110	111
Concessions Development	17	18	13	20	16
Facilities Management	1,544	1,552	1,466	1,455	1,399
Governmental Affairs	18	16	18	20	17
Human Resources	60	63	56	59	53
Information Management and Technology	154	132	113	99	98
Landside Business Management	15	15	18	15	17
Law Enforcement and Protection Services	937	937	885	808	716
Operations and Emergency Management	621	677	678	593	579
Procurement Services	30	32	25	20	22
Public, Media and Community Relations	60	69	68	94	107
Real Estate Services	29	14	16	17	16
Terminal Business Management	7	20	25	18	18
Total	<u>3,747</u>	<u>3,804</u>	<u>3,630</u>	<u>3,454</u>	<u>3,300</u>

Note: In fiscal year 2013, division heads were reported under their respective divisions/groups; in the prior fiscal years, they were reported under Administration.



**Schedule of Capital Assets**  
**Last Ten Fiscal Years June 30**  
(amounts in thousands)

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Total Capital Assets</b>					
Land and land clearance	\$ 970,990	\$ 970,990	\$ 872,057	\$ 834,124	\$ 829,956
Air easements	46,975	46,975	46,975	46,975	46,975
Emission reduction credits	5,918	5,918	5,918	5,918	5,918
Construction work in progress	<u>1,932,822</u>	<u>2,854,349</u>	<u>2,027,552</u>	<u>1,976,232</u>	<u>1,790,155</u>
<b>Capital assets not depreciated</b>	<u>2,956,705</u>	<u>3,878,232</u>	<u>2,952,502</u>	<u>2,863,249</u>	<u>2,673,004</u>
Buildings	2,365,058	886,348	827,911	827,911	827,911
Improvements	3,424,048	3,281,706	3,076,713	2,152,913	1,727,753
Capitalized leases	--	--	--	--	--
Computer software	3,611	2,466	--	--	--
Equipment and vehicles	<u>238,607</u>	<u>234,622</u>	<u>217,623</u>	<u>213,124</u>	<u>206,235</u>
<b>Capital assets depreciated</b>	<u>6,031,324</u>	<u>4,405,142</u>	<u>4,122,247</u>	<u>3,193,948</u>	<u>2,761,899</u>
Less accumulated depreciation	<u>(2,049,464)</u>	<u>(1,897,516)</u>	<u>(1,743,013)</u>	<u>(1,597,355)</u>	<u>(1,468,611)</u>
<b>Net capital assets</b>	<u>\$ 6,938,565</u>	<u>\$ 6,385,858</u>	<u>\$ 5,331,736</u>	<u>\$ 4,459,842</u>	<u>\$ 3,966,292</u>
<b>Capital Assets Held for Leases</b>					
Buildings and facilities	\$ 3,350,207	\$ 1,845,187	\$ 1,748,987	\$ 1,068,927	\$ 841,811
Less accumulated depreciation	<u>(614,881)</u>	<u>(562,696)</u>	<u>(505,895)</u>	<u>(463,618)</u>	<u>(431,793)</u>
Net	2,735,326	1,282,491	1,243,092	605,309	410,018
Land	<u>686,363</u>	<u>686,363</u>	<u>619,246</u>	<u>605,480</u>	<u>602,175</u>
<b>Total capital assets held for leases</b>	<u>\$ 3,421,689</u>	<u>\$ 1,968,854</u>	<u>\$ 1,862,338</u>	<u>\$ 1,210,789</u>	<u>\$ 1,012,193</u>





	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>Total Capital Assets</b>					
Land and land clearance	\$ 705,017	\$ 705,017	\$ 705,017	\$ 685,668	\$ 683,006
Air easements	46,975	46,975	46,975	46,975	46,975
Emission reduction credits	5,918	--	--	--	--
Construction work in progress	<u>1,406,017</u>	<u>948,299</u>	<u>452,102</u>	<u>286,985</u>	<u>223,565</u>
<b>Capital assets not depreciated</b>	<u>2,163,927</u>	<u>1,700,291</u>	<u>1,204,094</u>	<u>1,019,628</u>	<u>953,546</u>
Buildings	775,533	775,533	775,458	767,950	765,903
Improvements	1,290,441	1,233,927	1,187,807	966,336	837,305
Capitalized leases	184,423	184,423	184,423	184,423	184,423
Computer software	--	--	--	--	--
Equipment and vehicles	<u>205,856</u>	<u>188,343</u>	<u>178,399</u>	<u>161,737</u>	<u>152,924</u>
<b>Capital assets depreciated</b>	<u>2,456,253</u>	<u>2,382,226</u>	<u>2,326,087</u>	<u>2,080,446</u>	<u>1,940,555</u>
Less accumulated depreciation	<u>(1,358,973)</u>	<u>(1,251,877)</u>	<u>(1,148,458)</u>	<u>(1,065,538)</u>	<u>(981,593)</u>
<b>Net capital assets</b>	<u>\$ 3,261,207</u>	<u>\$ 2,830,640</u>	<u>\$ 2,381,723</u>	<u>\$ 2,034,536</u>	<u>\$ 1,912,508</u>
<b>Capital Assets Held for Leases</b>					
Buildings and facilities	\$ 841,064	\$ 816,560	\$ 816,520	\$ 813,811	\$ 807,424
Less accumulated depreciation	<u>(410,386)</u>	<u>(390,256)</u>	<u>(370,235)</u>	<u>(350,037)</u>	<u>(329,173)</u>
Net	430,678	426,304	446,285	463,774	478,251
Land	<u>477,236</u>	<u>477,236</u>	<u>477,236</u>	<u>477,236</u>	<u>477,236</u>
<b>Total capital assets held for leases</b>	<u>\$ 907,914</u>	<u>\$ 903,540</u>	<u>\$ 923,521</u>	<u>\$ 941,010</u>	<u>\$ 955,487</u>



# Los Angeles World Airports

(Department of Airports of the City of Los Angeles)

## Air Trade Area Population (Five-County Service Area) Last Ten Years

Year	Los Angeles	Orange	Riverside	San Bernardino	Ventura	Total
2014	10,041,797	3,113,991	2,279,967	2,085,669	842,967	18,364,391
2013	9,963,811	3,085,269	2,255,653	2,068,610	836,153	18,209,496
2012	9,962,789	3,090,132	2,268,783	2,081,313	835,981	18,238,998
2011	9,889,025	3,056,115	2,237,330	2,064,511	831,126	18,078,107
2010	9,825,761	3,018,181	2,202,361	2,041,626	825,378	17,913,307
2009	9,787,400	2,987,177	2,146,725	2,013,960	815,130	17,750,392
2008	9,735,147	2,957,593	2,109,712	2,003,735	806,353	17,612,540
2007	9,700,359	2,931,629	2,075,183	1,992,161	800,027	17,499,359
2006	9,737,955	2,932,261	2,012,370	1,974,140	798,183	17,454,909
2005	9,786,373	2,940,055	1,931,785	1,943,924	794,197	17,396,334

Source: California Department of Finance, estimates as of January each year



# Los Angeles World Airports

(Department of Airports of the City of Los Angeles)

## Air Trade Area Personal Income (Five-County Service Area) Last Ten Years (amounts in thousands)

Year	Los Angeles	Orange	Riverside	San Bernardino	Ventura	Total
2012	\$ 443,088,010	\$ 161,743,827	\$ 72,015,057	\$ 66,751,565	\$ 40,826,909	\$ 784,425,368
2011	424,763,231	154,768,461	69,522,078	64,249,589	39,294,631	752,597,990
2010	403,962,065	147,195,141	65,107,626	61,147,087	37,011,830	714,423,749
2009	394,935,230	145,897,943	63,184,275	59,991,663	36,045,442	700,054,553
2008	409,986,688	152,872,619	64,995,060	61,161,307	37,372,986	726,388,660
2007	397,871,070	150,955,124	64,062,308	59,843,375	37,451,313	710,183,190
2006	384,365,031	148,885,256	60,993,887	57,153,907	35,935,653	687,333,734
2005	357,332,951	138,686,864	55,776,492	54,053,306	33,419,111	639,268,724
2004	338,694,234	129,931,060	51,506,970	51,056,694	31,556,350	602,745,308
2003	323,306,401	122,463,197	47,545,905	47,402,270	29,279,601	569,997,374

Source: US Department of Commerce, Bureau of Economic Analysis. Data subsequent to 2012 is not available.



# Los Angeles World Airports

(Department of Airports of the City of Los Angeles)

## Air Trade Area Personal Income Per Capita (Five-County Service Area) Last Ten Years

Year	Los Angeles	Orange	Riverside	San Bernardino	Ventura	Weighted Average
2012	\$ 44,474	\$ 52,342	\$ 31,742	\$ 32,072	\$ 48,837	43,008
2011	42,953	50,642	31,074	31,121	47,279	41,630
2010	41,113	48,769	29,563	29,950	44,842	39,882
2009	40,351	48,841	29,433	29,788	44,220	39,439
2008	42,114	51,688	30,808	30,524	46,348	41,243
2007	41,016	51,492	30,871	30,039	46,813	40,583
2006	39,471	50,775	30,309	28,951	45,022	39,378
2005	36,513	47,172	28,873	27,806	42,079	36,747
2004	34,584	44,169	27,743	26,885	39,744	34,872
2003	33,101	41,805	26,837	25,677	37,154	33,329

Source: US Department of Commerce, Bureau of Economic Analysis. Data subsequent to 2012 is not available.

Note: Weighted Average is computed by dividing total personal income by the total population of the trade area.

# Los Angeles World Airports

(Department of Airports of the City of Los Angeles)



## Air Trade Area Unemployment Rate (Five-County Service Area) (with comparative Statewide and Nationwide rates) Last Ten Years (amounts in percent)

Year	Los Angeles	Orange	Riverside	San Bernardino	Ventura	California	U.S.
2014 (Jul)	8.7	5.7	9.5	9.0	7.0	7.8	6.5
2013	9.9	6.2	10.3	10.1	7.8	8.8	7.3
2012	10.9	7.6	12.1	11.9	9.1	10.5	8.1
2011	12.3	8.7	13.7	13.4	10.2	11.8	8.9
2010	12.6	9.5	14.5	14.2	10.9	12.4	9.6
2009	11.6	8.9	13.4	12.9	9.9	11.3	9.3
2008	7.5	5.3	8.5	8.0	6.3	7.2	5.8
2007	5.1	3.9	6.0	5.6	4.9	5.4	4.6
2006	4.8	3.4	5.0	4.8	4.3	4.9	4.6
2005	5.4	3.8	5.4	5.2	4.8	5.4	5.1

Sources: California Employment Development Department for county rates  
U.S. Department of Labor for nationwide and statewide rates



# Los Angeles World Airports

(Department of Airports of the City of Los Angeles)

## Los Angeles County Principal Employers (Non-Government) Current Year and Nine Years Ago

Employer	2014			2005		
	Employees	Rank	Percentage	Employees	Rank	Percentage
Kaiser Permanente	35,991	1	0.8%	30,511	1	0.7%
Northrop Grumman Corp.	17,000	2	0.4%	21,000	2	0.5%
Target Corporation	15,000	3	0.3%	11,526	8	0.3%
Providence Health & Services	15,000	4	0.3%	--	--	--
University of Southern California	14,722	5	0.3%	12,238	5	0.3%
Bank of America Corp	13,500	6	0.3%	10,801	6	0.2%
Ralphs/Food 4 Less/Kroger	13,500	7	0.3%	13,862	4	0.3%
Home Depot	10,600	8	0.2%	--	--	--
Boeing Co.	10,500	9	0.2%	18,558	3	0.4%
Cedar-Sinai Medical Center	10,243	10	0.2%	9,127	10	0.2%
Vons	--	--	--	11,744	7	0.3%
At & T	--	--	--	9,500	9	0.2%
All Others	<u>4,408,944</u>	--	<u>96.6%</u>	<u>4,367,133</u>	--	<u>96.7%</u>
	<u><u>4,565,000</u></u> <sup>1</sup>		<u><u>100.0%</u></u>	<u><u>4,516,000</u></u> <sup>1</sup>		<u><u>100.0%</u></u>

Sources: Los Angeles Business Journal (LABJ) dated August 2014

<sup>1</sup> <http://www.labormarketinfo.edd.ca.gov>

LABJ Note: The information on this list was provided by representatives of the employers themselves. Companies are ranked by the current number of full-time employees in L.A. County. Several companies may have qualified for this list, but failed to submit information or do not break out local employment data.



Shanghai  
Early 19th century  
Shanghai founded  
PVG

Departures		Saturday, June 22nd		Gate	10:11 AM
Destination	Time	Time	Time		
London	12:00	12:00	12:00	123A	123A
Los Angeles	12:00	12:00	12:00	123B	123B
Paris	12:00	12:00	12:00	123C	123C
Beijing	12:00	12:00	12:00	123D	123D
San Francisco	12:00	12:00	12:00	123E	123E
Los Angeles	12:00	12:00	12:00	123F	123F
London	12:00	12:00	12:00	123G	123G
Paris	12:00	12:00	12:00	123H	123H
Beijing	12:00	12:00	12:00	123I	123I
San Francisco	12:00	12:00	12:00	123J	123J
Los Angeles	12:00	12:00	12:00	123K	123K
London	12:00	12:00	12:00	123L	123L
Paris	12:00	12:00	12:00	123M	123M
Beijing	12:00	12:00	12:00	123N	123N
San Francisco	12:00	12:00	12:00	123O	123O
Los Angeles	12:00	12:00	12:00	123P	123P
London	12:00	12:00	12:00	123Q	123Q
Paris	12:00	12:00	12:00	123R	123R
Beijing	12:00	12:00	12:00	123S	123S
San Francisco	12:00	12:00	12:00	123T	123T
Los Angeles	12:00	12:00	12:00	123U	123U
London	12:00	12:00	12:00	123V	123V
Paris	12:00	12:00	12:00	123W	123W
Beijing	12:00	12:00	12:00	123X	123X
San Francisco	12:00	12:00	12:00	123Y	123Y
Los Angeles	12:00	12:00	12:00	123Z	123Z

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2014 COMPREHENSIVE ANNUAL FINANCIAL REPORT

# Compliance Section

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# Compliance Section Contents

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- Independent Auditor's Report on Compliance with Applicable Requirements of the Passenger Facility Charge Program and Internal Control Over Compliance
- Schedule of Passenger Facility Charge Revenues and Expenditures
- Independent Auditor's Report on Compliance with Applicable Requirements of the Customer Facility Charge Program and Internal Control Over Compliance
- Schedule of Customer Facility Charge Revenues and Expenditures



## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH APPLICABLE REQUIREMENTS OF THE PASSENGER FACILITY CHARGE PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE

To the Members of the Board of Airport Commissioners  
City of Los Angeles, California

### **Compliance**

We have audited the compliance of Los Angeles World Airports (Department of Airports of the City of Los Angeles, California) (LAWA), an Enterprise Fund of the City of Los Angeles, with compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* (Guide), issued by the Federal Aviation Administration, applicable to its passenger facility charge program for the fiscal year ended June 30, 2014.

### **Management's Responsibility**

Compliance with the requirements referred to above is the responsibility of LAWA's management.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on LAWA's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about LAWA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of LAWA's compliance with those requirements.

### **Opinion**

In our opinion, LAWA complied, in all material respects, with the compliance requirements referred to above that are applicable to its passenger facility charge program for the fiscal year ended June 30, 2014.



# Independent Auditor's Report on Compliance with Applicable Requirements of the Passenger Facility Charge Program and Internal Control Over Compliance (continued)

## Internal Control Over Compliance

Management of LAWA is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered LAWA's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of LAWA's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the Guide. Accordingly, this report is not suitable for any other purpose.

*Macias Gini & O'Connell LLP*

Los Angeles, California

November 4, 2014



**Schedule of Passenger Facility Charge Revenues and Expenditures**  
**For the Fiscal Years Ended June 30, 2014 and 2013**  
(amounts in thousands)

	Passenger facility charge revenue	Interest earned	Total revenues	Expenditures on approved projects	Over (under) revenue collected on approved projects
<b>Program to date as of June 30, 2012</b>					
Los Angeles International Airport	\$ 1,552,868	\$ 165,902	\$ 1,718,770	\$ 985,892	\$ 732,878
LA/Ontario International Airport	158,966	43,552	202,518	172,567	29,951
Subtotal	1,711,834	209,454	1,921,288	1,158,459	762,829
<b>Fiscal year 2012-13 transactions</b>					
Los Angeles International Airport					
Quarter ended September 30, 2012	30,571	2,170	32,741	1,771	30,970
Quarter ended December 31, 2012	29,628	2,691	32,319	(8,751)	41,070
Quarter ended March 31, 2013	31,119	3,144	34,263	3,979	30,284
Quarter ended June 30, 2013	30,162	3,297	33,459	159,805	(126,346)
Subtotal	121,480	11,302	132,782	156,804	(24,022)
LA/Ontario International Airport					
Quarter ended September 30, 2012	2,318	81	2,399	53	2,346
Quarter ended December 31, 2012	1,815	102	1,917	99	1,818
Quarter ended March 31, 2013	1,514	125	1,639	2	1,637
Quarter ended June 30, 2013	659	135	794	--	794
Subtotal	6,306	443	6,749	154	6,595
<b>Program to date as of June 30, 2013</b>					
Los Angeles International Airport	1,674,348	177,204	1,851,552	1,142,696	708,856
LA/Ontario International Airport	165,272	43,995	209,267	172,721	36,546
Subtotal	1,839,620	221,199	2,060,819	1,315,417	745,402
<b>Fiscal year 2013-14 transactions</b>					
Los Angeles International Airport					
Quarter ended September 30, 2013	35,241	1,670	36,911	695	36,216
Quarter ended December 31, 2013	33,194	2,386	35,580	50,989	(15,409)
Quarter ended March 31, 2014	26,976	3,540	30,516	8,165	22,351
Quarter ended June 30, 2014	39,521	2,981	42,502	109,231	(66,729)
Subtotal	134,932	10,577	145,509	169,080	(23,571)
LA/Ontario International Airport					
Quarter ended September 30, 2013	1,045	68	1,113	1,401	(288)
Quarter ended December 31, 2013	920	99	1,019	--	1,019
Quarter ended March 31, 2014	745	143	888	1	887
Quarter ended June 30, 2014	999	127	1,126	1	1,125
Subtotal	3,709	437	4,146	1,403	2,743
<b>Unexpended passenger facility charge revenues and interest earned June 30, 2014</b>					
Los Angeles International Airport	1,809,280	187,781	1,997,061	1,311,776	685,285
LA/Ontario International Airport	168,981	44,432	213,413	174,124	39,289
Total	\$ 1,978,261	\$ 232,213	\$ 2,210,474	\$ 1,485,900	\$ 724,574

See accompanying notes to the schedule of passenger facility charge revenues and expenditures.



# Los Angeles World Airports

(Department of Airports of the City of Los Angeles)

## Notes to the Schedule of Passenger Facility Charge Revenues and Expenditures For the Fiscal Years Ended June 30, 2014 and 2013

### 1. General

The Aviation Safety and Capacity Expansion Act of 1990 (Public Law 101-508, Title II, Subtitle B) authorized the imposition of Passenger Facility Charges (PFCs) and use of the resulting revenue on Federal Aviation Administration (FAA) approved projects.

The current PFC rate at LAX is \$4.50 per enplaned passenger. At ONT, the PFC rate was reduced from \$4.50 to \$2.00 effective January 1, 2013. FAA approved LAWA's application to reduce the PFCs at ONT on October 19, 2012. The application did not change ONT's collection authority but extended the collection period through October 2021. PFCs collection authorities approved to date by FAA are \$2.5 billion at LAX and \$242.4 million at ONT. The details are as follows (amounts in thousands):

Application number	Charge effective date	Approval of use date	Amount approved for use
96-02-U-00-LAX, closed 6/2/03	03/26/93	05/06/96	\$ 116,371
96-03-C-00-LAX, closed 10/1/08	05/10/96	05/10/96	50,223
97-04-C-02-LAX	11/28/97	11/28/97	610,000
97-04-C-02-LAX	10/31/98	10/31/98	90,000
05-05-C-00-LAX	12/01/05	12/01/05	229,750
05-05-C-01-LAX	12/01/05	12/01/05	468,030
07-06-C-00-LAX	01/01/08	01/01/08	85,000
10-07-C-00-LAX	06/01/12	06/01/12	855,000
11-08-C-00-LAX	03/01/19	03/01/19	34,089
Subtotal- LAX			<u>2,538,463</u>
95-02-U-00-ONT, closed 6/2/03	03/26/93	05/06/96	27,334
97-03-C-00-ONT	04/28/98	04/28/98	118,454
07-04-C-00-ONT	12/01/07	03/22/07	96,649
Subtotal- ONT			<u>242,437</u>
Total			<u><u>\$ 2,780,900</u></u>

In May 1996, FAA approved LAWA's request to transfer a portion of PFCs revenues collected at LAX to fund certain projects at ONT. Accordingly, PFCs revenues totaling \$126.1 million collected at LAX were transferred to ONT.

In April 2008, FAA approved LAWA's amendment request that increased application number 05-05-C-01-LAX to \$468.0 million to pay for debt service on bonds issued to finance the Tom Bradley International Terminal Renovations and Bradley West Project. The amounts used for this purpose were \$96.5 million and \$34.4 million in fiscal years 2014 and 2013, respectively.



The general description of the approved projects and the expenditures to date are as follows (amounts in thousands):

Approved projects	Amount approved for collection	Expenditures to date	
		June 30	
		2014	2013
Los Angeles International Airport (LAX)			
ONT- Terminal Development Program	\$ 116,371	\$ 116,371	\$ 116,371
Taxiway C Easterly Extension, Phase II	13,440	13,440	13,440
Remote Aircraft Boarding Gates	9,355	9,355	9,355
Interline Baggage Remodel - TBIT	2,004	2,004	2,004
Southside Taxiways Extension S & Q	9,350	9,350	9,350
TBIT Improvements	4,455	4,455	4,455
ONT- Airport Drive - West End	3,462	3,462	3,462
ONT- Access Control Monitoring System	808	808	808
ONT- Taxiway North Westerly Extension	7,349	7,349	7,349
Apron Lighting Upgrade	1,873	1,412	1,412
SAIP and NLA Integrated Study	1,381	1,381	1,381
Century Cargo Complex - Demolition of AF3	1,000	880	880
Taxilane C-10 Reconstruction	780	2	2
LAX Master Plan	122,168	75,183	75,183
Aircraft Rescue and Firefighting Vehicles	975	444	444
PMD Master Plan	1,050	--	--
Aircraft Noise Mitigation and Management System	3,450	3,652	3,652
South Airfield Improvement Program - Airfield Intersection Improvement	28,000	8,987	8,987
South Airfield Improvement Program - Remote Boarding	12,500	8,218	8,218
TBIT Interior Improvements and Baggage Screening System	468,030	175,078	78,576
Implementation of IT Security Master Plan	56,573	33,448	33,063
Noise Mitigation - Land Acquisitions	485,000	349,829	348,312
Noise Mitigation - Soundproofing	125,000	125,000	125,000
Noise Mitigation - Other Local Jurisdictions	90,000	90,000	90,000
Residential Soundproofing Phase II	35,000	33,201	29,710
Noise Mitigation - Other Local Jurisdictions Phase II	50,000	47,252	38,067
Bradley West	855,000	180,000	122,000
Lennox Schools Soundproofing Program	34,089	11,215	11,215
Subtotal	<u>2,538,463</u>	<u>1,311,776</u>	<u>1,142,696</u>



## Notes to the Schedule of Passenger Facility Charge Revenues and Expenditures For the Fiscal Years Ended June 30, 2014 and 2013 (continued)

Approved projects	Amount approved for collection	Expenditures to date June 30	
		2014	2013
LA/Ontario International Airport (ONT)			
Terminal Development Program	\$ 27,334	\$ 27,334	\$ 27,334
Land Acquisition	33,680	34,376	34,376
Noise Mitigation	84,774	40,822	39,422
In-line Baggage Screening	48,621	47,032	47,032
Airfield Perimeter Section Fencing Enhancement Phase II	8,480	5,531	5,531
Runway 08L/26R Reconstruction	15,626	13,764	13,764
Implementation of IT Security Master Plan	16,961	328	325
Aircraft Rescue and Firefighting Vehicles	924	910	910
ONT Master Plan	6,037	4,027	4,027
Subtotal	242,437	174,124	172,721
Total	\$ 2,780,900	\$ 1,485,900	\$ 1,315,417

### 2. Basis of Accounting – Schedule of Passenger Facility Charge Revenues and Expenditures

The accompanying Schedule of Passenger Facility Charge Revenues and Expenditures (Schedule) represents amounts reported to the FAA on the Passenger Facility Charge Quarterly Status Reports. The Schedule was prepared using the cash basis of accounting.

### 3. Excess Project Expenditures

The expenditures of the following projects are in excess of authorized amounts: (a) LAX– Aircraft Noise Monitoring and Management System, and (b) ONT– Land Acquisition- East Ontario. However, in accordance with FAA guidelines, if actual allowable project costs exceed the estimate contained in the PFCs application in which the authority was approved, the public agency may elect to increase the total approved PFCs revenue in that application by 15% or less.

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH APPLICABLE REQUIREMENTS OF THE CUSTOMER FACILITY CHARGE PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE

To the Members of the Board of Airport Commissioners  
City of Los Angeles, California

### Compliance

We have audited the compliance of Los Angeles World Airports (Department of Airports of the City of Los Angeles, California) (LAWA), an Enterprise Fund of the City of Los Angeles, with compliance requirements described in the *California Civil Code Section 1936, as amended by Senate Bill (SB) 1192 and Assembly Bill (AB) 359*, applicable to its customer facility charge program for the fiscal year ended June 30, 2014.

### Management's Responsibility

Compliance with the requirements referred to above is the responsibility of LAWA's management.

### Auditor's Responsibility

Our responsibility is to express an opinion on LAWA's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *California Civil Code Section 1936, as amended by SB 1192 and AB 359*. Those standards and the *California Civil Code Section 1936, as amended by SB 1192 and AB 359*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the customer facility charge program occurred. An audit includes examining, on a test basis, evidence about LAWA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of LAWA's compliance with those requirements.

### Opinion

In our opinion, LAWA complied, in all material respects, with the compliance requirements referred to above that are applicable to its customer facility charge program for the fiscal year ended June 30, 2014.



# Independent Auditor's Report on Compliance with Applicable Requirements of the Customer Facility Charge Program and Internal Control Over Compliance (continued)

## Internal Control Over Compliance

Management of LAWA is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered LAWA's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of LAWA's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the *California Civil Code Section 1936, as amended by SB 1192 and AB 359*. Accordingly, this report is not suitable for any other purpose.

*Macias Gini & O'Connell LLP*

Los Angeles, California  
November 4, 2014





**Schedule of Customer Facility Charge Revenues and Expenditures**  
**For the Fiscal Years Ended June 30, 2014 and 2013**  
(amounts in thousands)

	Customer facility charge revenue	Interest earned	Total revenues	Expenditures on approved projects	Over (under) revenues collected on approved projects
<b>Program to date as of June 30, 2012</b>					
Los Angeles International Airport	\$ 117,260	\$ 6,318	\$ 123,578	\$ 3,026	\$ 120,552
LA/Ontario International Airport	42,989	474	43,463	40,899	2,564
Subtotal	160,249	6,792	167,041	43,925	123,116
<b>Fiscal year 2012-13 transactions</b>					
Los Angeles International Airport					
Quarter ended September 30, 2012	7,120	464	7,584	--	7,584
Quarter ended December 31, 2012	6,825	431	7,256	--	7,256
Quarter ended March 31, 2013	5,855	374	6,229	--	6,229
Quarter ended June 30, 2013	7,046	410	7,456	--	7,456
Subtotal	26,846	1,679	28,525	--	28,525
LA/Ontario International Airport					
Quarter ended September 30, 2012	906	9	915	939	(24)
Quarter ended December 31, 2012	951	8	959	907	52
Quarter ended March 31, 2013	803	6	809	907	(98)
Quarter ended June 30, 2013	915	7	922	919	3
Subtotal	3,575	30	3,605	3,672	(67)
<b>Program to date as of June 30, 2013</b>					
Los Angeles International Airport	144,106	7,997	152,103	3,026	149,077
LA/Ontario International Airport	46,564	504	47,068	44,571	2,497
Subtotal	190,670	8,501	199,171	47,597	151,574
<b>Fiscal year 2013-14 transactions</b>					
Los Angeles International Airport					
Quarter ended September 30, 2013	7,535	393	7,928	--	7,928
Quarter ended December 31, 2013	6,971	445	7,416	--	7,416
Quarter ended March 31, 2014	6,433	397	6,830	--	6,830
Quarter ended June 30, 2014	7,511	428	7,939	--	7,939
Subtotal	28,450	1,663	30,113	--	30,113
LA/Ontario International Airport					
Quarter ended September 30, 2013	950	6	956	667	289
Quarter ended December 31, 2013	930	7	937	919	18
Quarter ended March 31, 2014	851	6	857	906	(49)
Quarter ended June 30, 2014	964	6	970	904	66
Subtotal	3,695	25	3,720	3,396	324
<b>Unexpended customer facility charge revenues and interest earned June 30, 2014</b>					
Los Angeles International Airport	172,556	9,660	182,216	3,026	179,190
LA/Ontario International Airport	50,259	529	50,788	47,967	2,821
Total	\$ 222,815	\$ 10,189	\$ 233,004	\$ 50,993	\$ 182,011

See accompanying notes to the schedule of customer facility charge revenues and expenditures.



# Los Angeles World Airports

(Department of Airports of the City of Los Angeles)

## Notes to the Schedule of Customer Facility Charge Revenues and Expenditures For the Fiscal Years Ended June 30, 2014 and 2013

### 1. General

Assembly Bill 491 of the 2001-2002 California Legislature (codified in California Civil Code Section 1936 et seq.) (Code) authorized the imposition of Customer Facility Charges (CFCs) and use of CFC revenue to plan, finance, design, and construct on-airport consolidated rental car facilities (CRCF).

#### Los Angeles International Airport

On March 5, 2007, the Board found that the CRCF proposed by management was sufficiently definitive and authorized the collection of CFCs of \$10 on each car rental transaction at LAX. The authorization included a two-year collection period of July 1, 2007 through June 30, 2009. On June 22, 2009, the Board resolved to extend the collection period until a determination is made that the project will not proceed.

The proposed CRCF at LAX will enhance efforts to reduce traffic congestion while also providing an efficient, secure, safe, and reliable transportation system.

CFCs collected, related interest earnings, and cumulative expenditures to date are summarized as follows (amounts in thousands):

	2014	2013
Amount collected	\$ 172,556	\$ 144,106
Interest earnings	9,660	7,997
Subtotal	182,216	152,103
Expenditures		
CRCF planning and development costs	3,026	3,026
Unexpended CFCs revenue and interest earnings	\$ 179,190	\$ 149,077

#### LA/Ontario International Airport

On December 4, 2001, on recommendation of management, the Board approved the collection of CFCs of \$10 on each car rental transaction at ONT effective January 1, 2002. Prior to the imposition of the CFCs, rental car operators at ONT were billed a fee that covered debt service requirements on the revenue bonds used to finance the ONT Ground Transportation Center (GTC), ground rent, maintenance and operation costs, and costs associated with the common use shuttle service.



The CFCs collected at ONT is used to repay LAWA's \$5.0 million direct investment in the GTC, offset costs associated with the common use shuttle service, and debt service requirements as previously discussed.

CFCs collected, related interest earnings, and cumulative expenditures to date are summarized as follows (amounts in thousands):

	<u>2014</u>	<u>2013</u>
Amount collected	\$ 50,259	\$ 46,564
Interest earnings	529	504
Subtotal	<u>50,788</u>	<u>47,068</u>
Expenditures		
LAWA direct investment	5,430	5,000
Common use shuttle service	33,067	30,757
Debt service	<u>9,470</u>	<u>8,814</u>
Subtotal	<u>47,967</u>	<u>44,571</u>
Unexpended CFCs revenue and interest earnings	<u>\$ 2,821</u>	<u>\$ 2,497</u>

## 2. Basis of Accounting – Schedule of Customer Facility Charge Revenues and Expenditures

The accompanying Schedule of Customer Facility Charge Revenues and Expenditures was prepared using the cash basis of accounting.

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2014 COMPREHENSIVE ANNUAL FINANCIAL REPORT

# Other Information Section

# Other Information Section

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# Los Angeles City Retirement System Schedules of Funding Progress

## Prorated Data for Los Angeles World Airports (Non-GAAP Basis – Unaudited) (dollar amounts in thousands)

### Defined Benefit Pension Plan

Actuarial valuation date	Actuarial value of assets	Actuarial accrued liability (AAL)	Under-funded AAL	Funded ratio	Covered payroll	Under-funded AAL as a percentage of covered payroll
6/30/2011	\$1,186,475	\$1,639,552	\$453,077	72%	\$224,463	202%
6/30/2012	1,285,854	1,862,970	577,116	69%	235,463	245%
6/30/2013	1,374,201	2,000,242	626,041	69%	248,251	252%

### Other Postemployment Benefit Healthcare Plan

Actuarial valuation date	Actuarial value of assets	Actuarial accrued liability (AAL)	Under-funded AAL	Funded ratio	Covered payroll	Under-funded AAL as a percentage of covered payroll
6/30/2011	\$189,386	\$241,030	\$51,644	79%	\$224,463	23%
6/30/2012	212,568	296,699	84,131	72%	235,463	36%
6/30/2013	233,165	324,262	91,096	72%	248,251	37%

### Notes to the Schedules

1. LAWA's portions of the actuarial assets and liabilities were prorated based on covered payroll. Such prorated data is not indicative of the results of an actuarial valuation of LAWA on a stand-alone basis.
2. The multiyear trend information presented above is those of LAWA and is not allocated to LAWA's three airports.







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