



*Los Angeles  
World Airports*

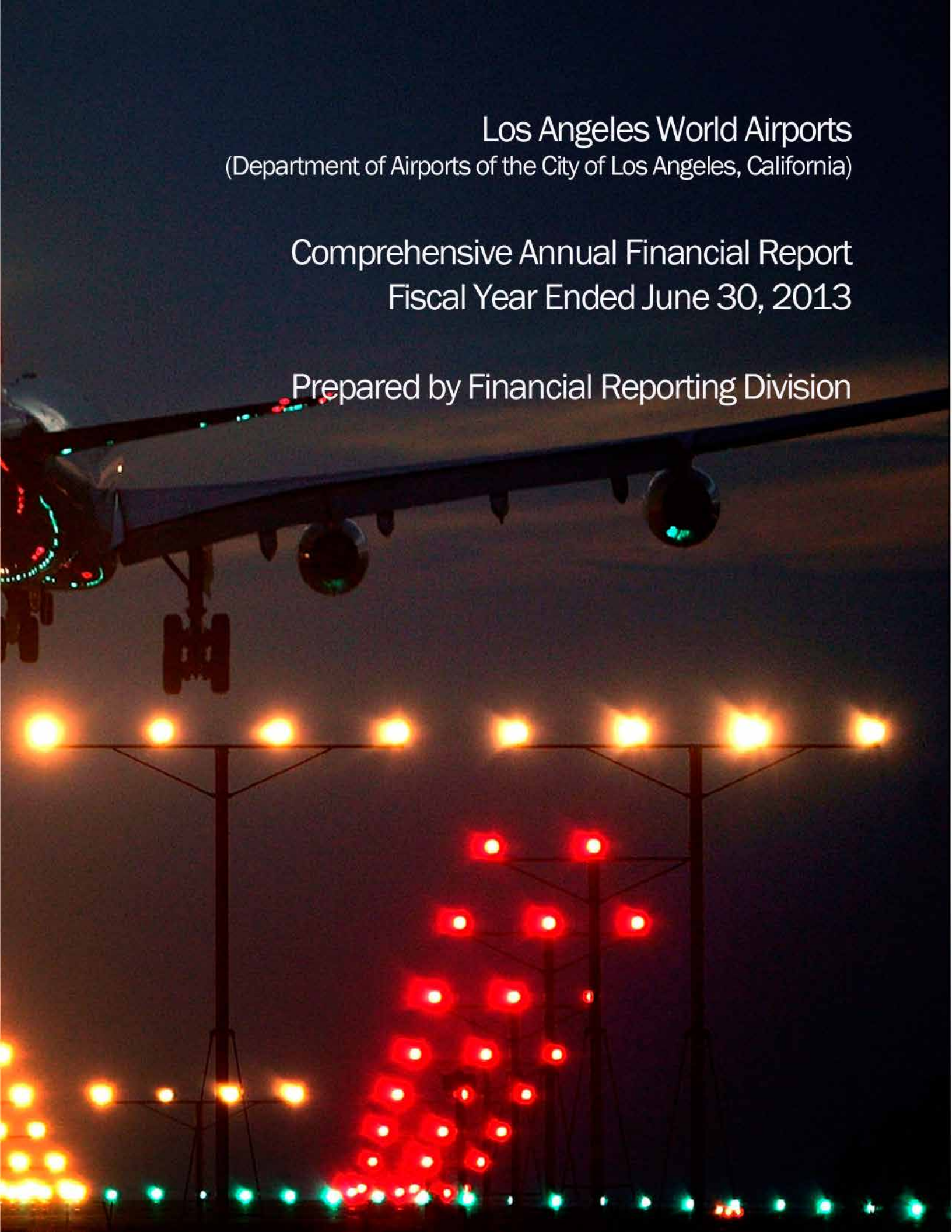
# Comprehensive Annual Financial Report

Fiscal year ended June 30, 2013

*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, 2013

Prepared by Financial Reporting Division



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

**Comprehensive Annual Financial Report**  
**Fiscal Year Ended June 30, 2013**

**Table of Contents**

**Page**

**Introductory Section**



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

**Financial Section**



Independent Auditor's Report .....1  
 Management's Discussion and Analysis  
 (Required Supplementary Information - Unaudited) .....3  
 Financial Statements  
     Statements of Net Position .....27  
     Statements of Revenues, Expenses, and Changes in Net Position .....29  
     Statements of Cash Flows .....30  
     Notes to the Financial Statements (Index Page 33) .....35  
 Supplemental Information  
     Combining Schedule of Net Position .....66  
     Combining Schedule of Revenues, Expenses, and Changes in Net Position .....70

**Statistical Section (Unaudited)**



Statistical Section Introduction .....73  
 Net Position Summary .....74  
 Changes in Net Position .....76  
 Operating Revenue .....78  
 Gross Concession Revenue Per Enplaned Passenger .....80  
 Operating Expenses Per Enplaned Passenger .....82  
 Landing Fee Rates .....84

# Table of Contents

(continued)

Page

## Statistical Section (Unaudited) - continued

Outstanding Debt By Type and Debt Ratios .....	86
Revenue Bonds Debt Service Coverage .....	88
Airline Landing Weight Trend .....	90
Enplaned Passenger Data .....	94
Employee Trend .....	98
Schedule of Capital Assets .....	100
Air Trade Area Population .....	102
Air Trade Area Personal Income .....	103
Air Trade Area Personal Income Per Capita .....	104
Air Trade Area Unemployment Rate .....	105
County of Los Angeles Principal Employers .....	106



## Compliance Section

Independent Auditor's Report on Compliance with Applicable Requirements of the Passenger Facility Charge Program and Internal Control Over Compliance .....	107
Schedule of Passenger Facility Charge Revenues and Expenditures .....	109
Notes to the Schedule of Passenger Facility Charge Revenues and Expenditures .....	110
Independent Auditor's Report on Compliance with Applicable Requirements of the Customer Facility Charge Program and Internal Control Over Compliance .....	113
Schedule of Customer Facility Charge Revenues and Expenditures .....	115
Notes to the Schedule of Customer Facility Charge Revenues and Expenditures .....	116



## Other Information Section

Los Angeles City Retirement System Schedules of Funding Progress - Prorated Data for Los Angeles World Airports Defined Benefit Pension and Other Postemployment Benefit Healthcare Plans (Non-GAAP Basis - Unaudited) .....	119
---	-----





2013 COMPREHENSIVE ANNUAL FINANCIAL REPORT

# Introductory Section





## **Introductory Section Contains:**

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





October 28, 2013

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, 2013. 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.

Generally accepted accounting principles 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. LAWA 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



# Transmittal Letter

(continued)



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. The LAX site, originally known as Mines Field, has been in use as an aviation field since 1928. It was used for military flights during World War II. Commercial airline service started in December 1946, and the present terminal complex 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, Riverside, San Bernardino, and Ventura counties. LAX, classified by FAA as a large hub airport, is the sixth busiest airport in the world and third busiest in the United States, offering 680 daily flights to 96 destinations in the United States and over 900 weekly nonstop flights to 59 international destinations on 63 carriers. It ranks 14<sup>th</sup> in the world and fifth in the United States in air cargo tonnage processed.

ONT is a medium hub, full-service airport with commercial jet service to major U.S. cities and through service to international destinations. ONT is located in the Inland Empire, approximately 35 miles east of downtown Los Angeles in the center of Southern California. 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 2013, 4.1 million passengers used the airport and 436,788 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, Skywest, Southwest, United/United Express, and US Airways. 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 less than 50 miles east of LAX. LAWA operates ONT pursuant to a Joint Powers Agreement with the City of Ontario.

VNY is one of the world’s busiest general aviation airports. It occupies approximately 730 acres and is located 20 miles northwest of downtown Los Angeles in the San Fernando Valley. Dedicated to noncommercial air travel, VNY averages over 260,000 takeoffs and landings annually. 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 (LAEDC) 2013-2014 mid-year report, the general economic outlook is positive. In Los Angeles County, the largest job gains are expected in leisure and hospitality, health care, professional, scientific and technical services, and construction. Job losses will continue in manufacturing, with a flat to slight gain in government jobs expected next year. The Orange County economy continues to show a leading economic growth as a result of the rebounding travel and tourism sector, renewed commercial development activity, expanding health care industry and technology sector.





Expansions in logistics industry with renewed optimism in housing, construction and manufacturing indicate solid economic improvement in the Inland Empire (Riverside and San Bernardino counties). The biggest industry job gains have been in leisure and hospitality, education and health services, professional and business services and trade, transportation and utilities. The Ventura County economy will see largest job gains in leisure and hospitality, administrative and support services, professional, scientific and technical services and construction.

The Air Trade Area economy will continue to improve unevenly across counties with leading sectors in leisure and hospitality, health services, professional and business services and construction. U.S. domestic policies including the Federal Government's unwinding of the bond-buying program, the sequestration budget cuts and the rollout of healthcare reform will likely temper growth at times during the year. The slow growth in China and ongoing weakness in Europe may hinder the growth in the 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) made a projection of 2013 airline industry profit of \$11.7 billion. For 2014, IATA predicts airline industry profits will rebound to \$16.4 billion on hopes of rising business and consumer confidence and a respite in oil prices. The prediction may be hindered by any prolonged spike in fuel costs.

Meanwhile, passenger traffic and air freight at LAX have shown encouraging growth. Passenger traffic increased by 3.2% in fiscal year 2013 as compared to the prior fiscal year, while air freight cargo increased by 1.9% during the same comparative period. At ONT, air freight posted gains over the last two years while passenger traffic continued to decline. 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.





## 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 the LAX aeronautical facilities to best accommodate the evolving airline fleet; investing in transportation and landside facilities to improve passenger access to LAX; and investing to modernize LAX's airfield 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 improvement program aimed at modernizing LAX to ensure it retains its vital role as the cornerstone of Southern California's air transportation system. This program is the largest public works project in the City's history. By investing in excess of \$4 billion in various projects, LAWA is creating 40,000 jobs with an economic impact of close to \$7 billion. The LAEDC presented its "2011 Corporate Eddy Award" to LAWA for this demonstration of exceptional contribution to positive economic development in the region.

Following are summaries of LAWA's five-year capital improvement plan, and highlights of LAWA's ongoing projects.

### 5-Year Capital Improvement Plan

LAWA adopts a planned approach for proposed capital improvements and expenditures over the next five years based on identified prioritized needs and financial affordability. LAWA's projected capital expenditures of \$4 billion from fiscal year 2014 through fiscal year 2018 cover \$3,948 million for LAX, \$49 million for ONT, and \$37 million for VNY. These projections exclude actual expenditures on active projects made prior to fiscal year 2014 and for anticipated expenditures for future projects after fiscal year 2018. Estimated sources of funding include \$1,277 million from the Airport Revenue Fund, \$2,134 million General Airport Revenue Bonds, \$286 million Passenger Facility Charges, \$278 million federal grants and \$59 million other funds. The major capital improvement projects include the completion of the Bradley West International Terminal Project, LAX Terminal 4 Connector, various improvements to LAX's existing terminals, LAX Taxiway T construction, LAX Midfield Satellite Concourse, and LAX and ONT runway safety area improvements.





## Ongoing Projects

### **Bradley West International Terminal**

September 2013 marked the completion of Phase I of the \$1.9 billion New Tom Bradley International Terminal (TBIT) project. With the opening of three new gates in the North Concourse and five new gates in the South Concourse, there are a total of eight new gates, all of which can accommodate larger, new-generation Airbus A380 super jumbo jets and Boeing 747-8 Intercontinental jets. At the new terminal's heart is the 150,000 square foot Pavilion, which houses more than 60 food and beverages units. The TBIT project adds nearly 1.2 million square feet to double the size of the existing terminal. It is expected to help LAX retain its competitiveness as the premier U.S. international gateway, especially to the fast-growing Asia-Pacific region.

Phase 2 of the TBIT project includes new boarding bridges and aircraft aprons on the east side of the new terminal; upgraded federal customs and immigration inspection areas; relocation of and upgrade to the federal passenger security screening area, public art installations, and improvements to accommodate secured corridors between TBIT and Terminal 4.

The TBIT project is creating nearly 4,000 construction-related jobs during the project's five-year schedule, and nearly 2,000 permanent new concession jobs with the opening of the terminal. An estimated 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. The project addresses LAWA's goal for a "greener" LAX. In accordance with LAWA's sustainable Design and Construction Guidelines released in 2007, 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 \$424 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 existing facility. It will enhance passenger comfort and reliability of utility service and safety within the newly renovated and modernized terminals.

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

This \$240 million project is replacing and refurbishing over 200 outdated pieces of equipment 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.





## **Terminal 1 Renovation**

This \$400 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, aircraft paving sections and associated fuel hydrant pit locations.

## **Terminal 5 Renovation**

This \$224 million renovation and modernization project will improve passenger security screening checkpoint, renovate passenger waiting areas, refurbish the arrival/baggage claim area, and modernize the ticket lobby.

## **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.

## **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 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 Taxiway 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.





## Outlook for the Future

Revenues for fiscal year 2014 are projected to increase by 13%, driven primarily by recovery of increased levels of airfield and terminal debt service through landing fees and building rents and increased concession revenue. The increase in levels of passenger traffic in LAX will continue to contribute to greater terminal concession and ground transportation revenues. The institution of the new comprehensive airline terminal rate setting methodology in 2013 will increase LAX recovery of operating and capital costs within the terminal complex and provides a reliable revenue source capable of supporting future terminal investment. Also, the successful negotiation of a 10-year Terminal Rate Agreement with effectively all LAX passenger airlines significantly reduces risk of further litigation over terminal rents that could delay the capital improvement program.

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. Consequently, management is exploring the option of implementing a multi-year managed hiring process. Management requires continued fiscal prudence from each LAWA division in administering the operating budget.

The unrestricted net position at June 30, 2013 totaled \$465.3 million. This amount, 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.

Management continues to take additional steps to halt the decline in passengers at ONT. In addition to redeployment of ONT workforce to the other airports in the system and implementing other efficiencies to reduce the overall cost of operating ONT, LAWA has pursued three initiatives to raise awareness and position ONT to the airline community. Firstly, an Air Carrier Incentive Program (ACIP) has been implemented to support the growth of passenger air service by providing financial incentives for carriers adding passenger air service at ONT. Secondly, management has approved a two-year Airline Cooperative Marketing Program (ACMP) at ONT by offering incentives in the form of marketing and advertising assistance to encourage passenger airlines to market air service on existing or new routes to and from ONT. Thirdly, as a cost cutting measure, LAWA has transferred the operation and maintenance of certain mechanical systems in the passenger terminals including passenger boarding bridges, inbound/outbound baggage conveyor systems, and related checked-baggage inspection systems to a new airline-owned consortium. This arrangement will greatly reduce expenses at ONT and at the same time increase profitability to airlines.





## 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, 2013 and 2012, 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, 2013. MGO's report is on pages 107 and 108.

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 SB 1192*, 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, 2013. MGO's report is on pages 113 and 114.







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, 2012. This was the second 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.

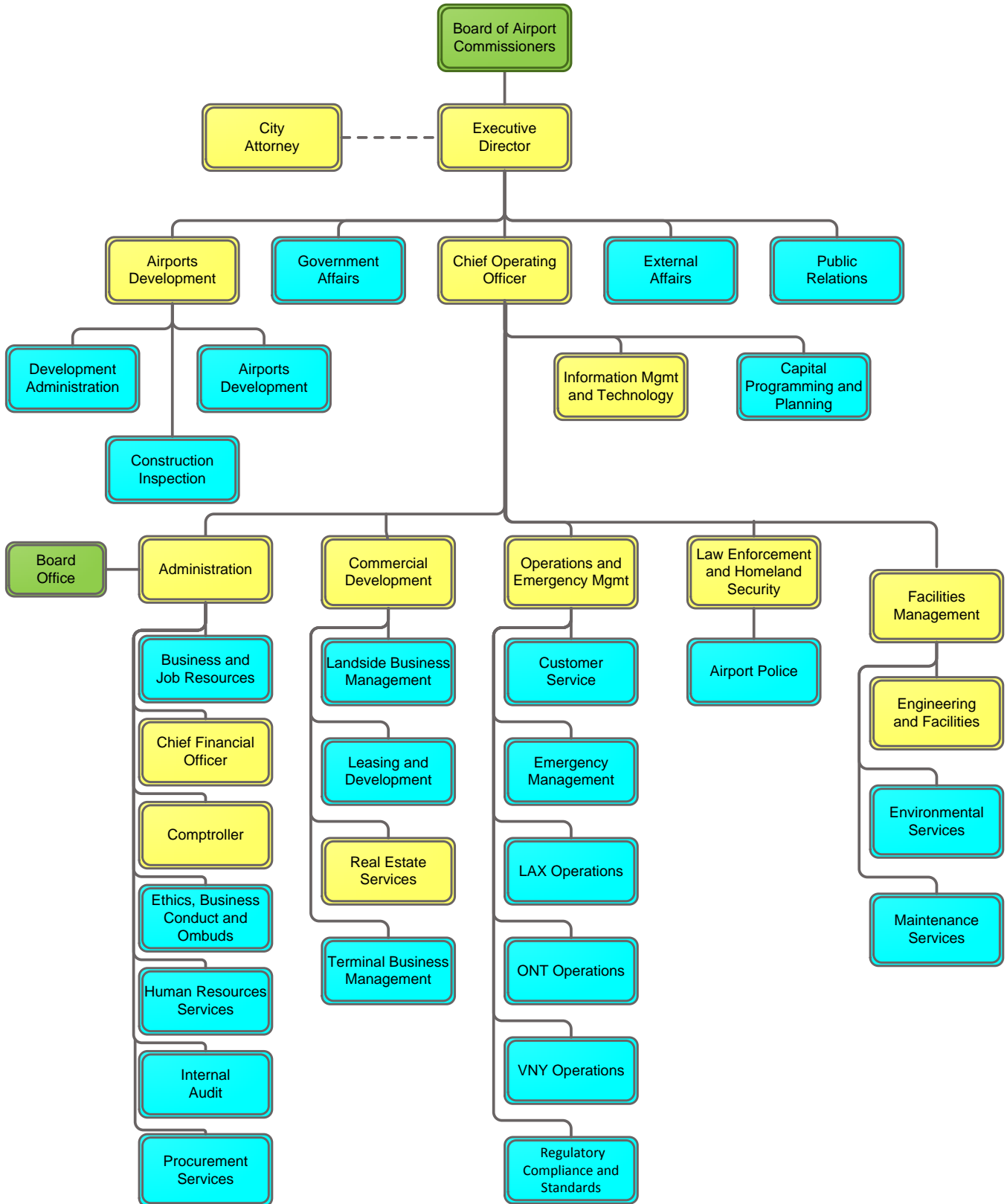
Respectfully submitted,

Gina Marie Lindsey  
Executive Director

Ryan P. Yakubik  
Interim 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  
Michael D. Feldman, Deputy Executive Director, Facilities Management  
Roger A. Johnson, Deputy Executive Director, Airports Development  
Samson Mengistu, Deputy Executive Director, Administration  
Dominic Nessi, Deputy Executive Director, Information Management and Technology  
Arif Alikhan, 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, Interim 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, 2012**

A handwritten signature in black ink that reads "Jeffrey R. Enow".

Executive Director/CEO





2013 COMPREHENSIVE ANNUAL FINANCIAL REPORT

# Financial Section





## **Financial Section Contains:**

- 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, 2013 and 2012, 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 of 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, 2013 and 2012, 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 Matter

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, 2013 and 2012, 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.



# 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 25 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 66 to 71; Schedule of Passenger Facility Charge Revenues and Expenditures and accompanying notes on pages 109 to 112; and Schedule of Customer Facility Charge Revenues and Expenditures and accompanying notes on pages 115 to 117 (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 xii, statistical section on pages 73 to 106 and other information section on page 119 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 October 28, 2013, 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, 2013. 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 Jini & O'Connell LLP*

October 28, 2013







2013 COMPREHENSIVE ANNUAL FINANCIAL REPORT

# Management's Discussion and Analysis





## **Management's Discussion and Analysis**

# Los Angeles World Airports

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



## Management's Discussion and Analysis (Unaudited)

June 30, 2013 and 2012

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, 2013 and 2012. This discussion and analysis should be read in conjunction with LAWA's financial statements that begin on page 27.

### 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, 2013 and 2012. The difference between (a) assets and deferred outflows of resources, and (b) liabilities and deferred inflows of resources was reported as net position. There were no deferred outflows of resources and deferred inflows of resources as of June 30, 2013 and 2012. 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 during the two fiscal years. 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.





## 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 2013	FY 2012	FY 2011	% Change	
				FY 2013	FY 2012
Total passengers	64,969,102	62,930,683	60,606,560	3.2%	3.8%
Domestic passengers	47,641,025	45,957,270	44,352,850	3.7%	3.6%
International passengers	17,328,077	16,973,413	16,253,710	2.1%	4.4%
Departing passengers	32,524,178	31,519,124	30,280,539	3.2%	4.1%
Arriving passengers	32,444,924	31,411,559	30,326,021	3.3%	3.6%
Passenger flight operations					
Departures	273,193	276,980	265,110	-1.4%	4.5%
Arrivals	273,297	277,083	265,212	-1.4%	4.5%
Landing weight (thousand lbs)	50,206,827	49,997,632	48,422,352	0.4%	3.3%
Air cargo (tons)					
Mail	81,953	90,450	79,831	-9.4%	13.3%
Freight	1,863,508	1,828,409	1,825,420	1.9%	0.2%

### LA/Ontario International Airport

	FY 2013	FY 2012	FY 2011	% Change	
				FY 2013	FY 2012
Total passengers	4,148,398	4,406,042	4,733,835	-5.8%	-6.9%
Domestic passengers	4,095,109	4,340,032	4,695,237	-5.6%	-7.6%
International passengers	53,289	66,010	38,598	-19.3%	71.0%
Departing passengers	2,076,333	2,209,070	2,367,120	-6.0%	-6.7%
Arriving passengers	2,072,065	2,196,972	2,366,715	-5.7%	-7.2%
Passenger flight operations					
Departures	22,025	23,606	25,957	-6.7%	-9.1%
Arrivals	22,035	23,637	26,017	-6.8%	-9.1%
Landing weight (thousand lbs)	4,901,055	5,083,044	5,182,393	-3.6%	-1.9%
Air cargo (tons)					
Mail	18,297	17,659	16,666	3.6%	6.0%
Freight	436,788	429,571	374,581	1.7%	14.7%

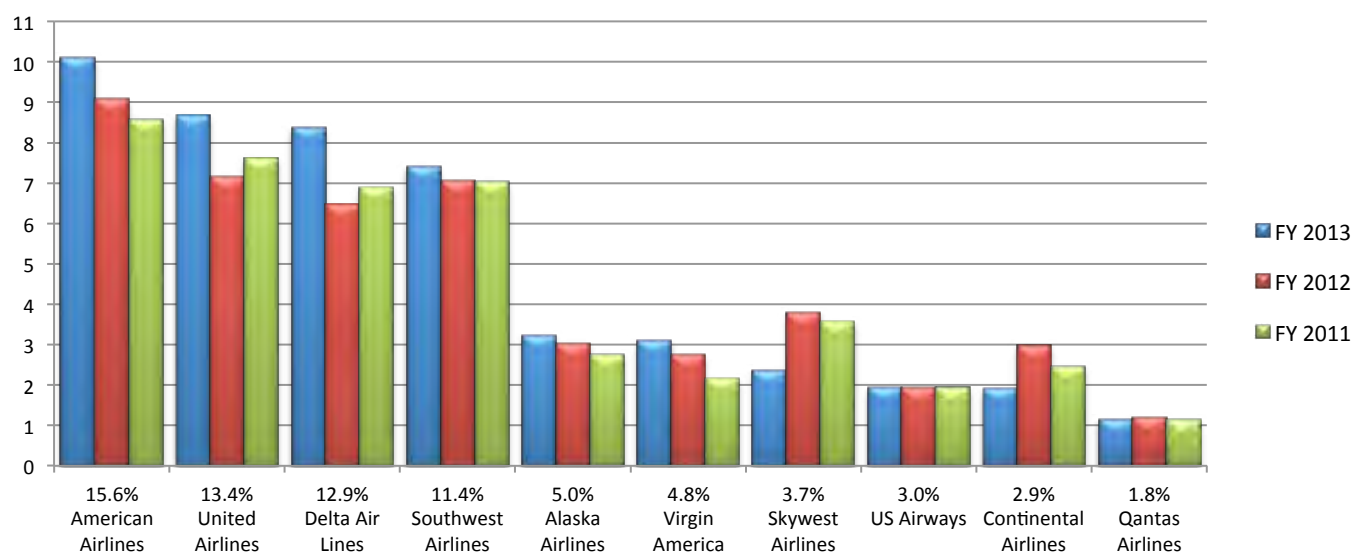




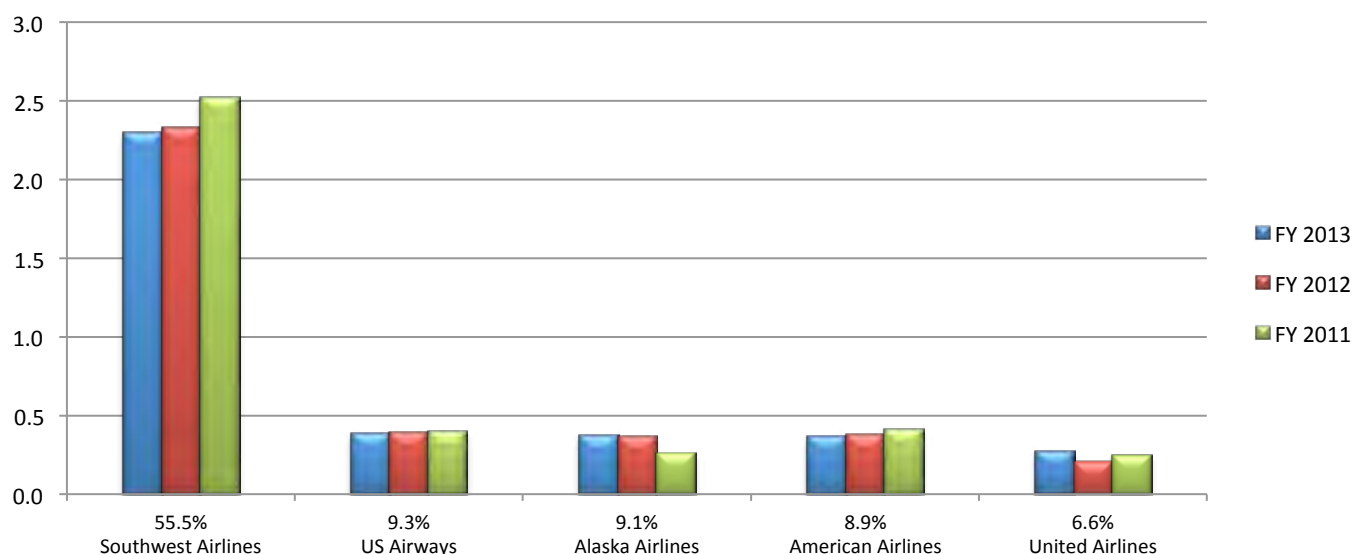
## Passenger Traffic

The following charts present the top ten airlines at LAX and top five airlines at ONT by number of passengers for fiscal year 2013 and the comparative passengers for fiscal years 2012 and 2011.

### LAX- FY 2013 Top Ten Carriers and Percentage of Market Share (passengers in millions)



### ONT- FY 2013 Top Five Carriers and Percentage of Market Share (passengers in millions)





### 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 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 most 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 most number of passengers at 2.3 million, a decrease of 1.2% from fiscal year 2012.

### Passenger Traffic, Fiscal Year 2012

Passenger traffic at LAX increased by 3.8% in fiscal year 2012 as compared to fiscal year 2011. Of the 62.9 million passengers that moved in and out of LAX, domestic passengers accounted for 73%, while international passengers accounted for 27%. American Airlines ferried the most number of passengers at 9.1 million, an increase of 5.8% from the prior fiscal year. American Eagle, ranked tenth with 1.7 million passengers, posted a 47.6% increase in passenger traffic. United Airlines (7.2 million), Southwest Airlines (7.1 million), Delta Air Lines (6.5 million), and Skywest Airlines (3.8 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 eleventh overall.

At ONT, there were 4.4 million passengers in fiscal year 2012 compared to 4.7 million in fiscal year 2011, a 6.9% decrease. Of the 4.4 million passengers, domestic passengers accounted for 98.5%, while international passengers accounted for 1.5%. Southwest Airlines ferried the most number of passengers at 2.3 million, a decrease of 7.6% from fiscal year 2011.

### 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.





## Flight Operations, Fiscal Year 2012

Departures and arrivals at LAX had an increase of 23,741 flights or 4.5% during fiscal year 2012 when compared to fiscal year 2011. Scheduled and commuter were up 23,879 flights, while charter flights were down 138. Revenue landing pounds were up 3.3%. The top three carriers in terms of landing pounds were American Airlines, United Airlines, and Delta Air Lines. In total, these three airlines contributed 31.4% of the total revenue pounds at LAX.

Departures and arrivals at ONT had a decrease of 4,731 flights or 9.1% during fiscal year 2012 when compared to fiscal year 2011. Revenue landing pounds were down 1.9%. United Parcel Service and Southwest Airlines were the top two carriers in terms of landing pounds. Together, these two airlines contributed 64.1% of the total revenue pounds at ONT.

## 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% of total cargo.

## Air Cargo Operations, Fiscal Year 2012

Mail and freight cargo at LAX increased by 0.7% in fiscal year 2012 as compared to fiscal year 2011. Mail was up 10,619 tons while freight was up 2,989 tons. Domestic cargo was higher by 15,777 tons or 2% while international cargo was lower by 2,169 tons or 0.2%. Federal Express was the top air freight carrier accounting for 20.1% of total freight cargo, followed by Polar Air Cargo with 5.4%. United Airlines was the top mail carrier accounting for 21.9% of total mail cargo.

Mail and freight cargo at ONT had an increase of 14.3% in fiscal year 2012 as compared to fiscal year 2011. Mail was up 993 tons while freight was up 54,990 tons. United Parcel Service was the top mail and freight carrier accounting for 71.1% of total cargo.





## Overview of LAWA's Financial Statements

### 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 nonoperating revenue (including passenger facility charges of \$130.5 million) was \$77.7 million.
- Federal grants totaled \$18 million.
- Net position increased by \$217.8 million.

### Financial Highlights, Fiscal Year 2012

- LAWA's assets exceeded liabilities at June 30, 2012 by \$4.4 billion.
- Bonded debt of LAWA had a decrease of \$52 million.
- Operating revenue totaled \$902.2 million.
- Operating expenses (including depreciation and amortization of \$151.7 million) totaled \$809.4 million.
- Net nonoperating revenue (including passenger facility charges of \$130.8 million) was \$124.3 million.
- Federal grants totaled \$62.4 million.
- Net position increased by \$279.5 million.







## Net Position Summary

A condensed summary of LAWA's net position for fiscal years 2013, 2012, and 2011 is presented below:

### Condensed Net Position (amounts in thousands)

	FY 2013	FY 2012	FY 2011	FY 2013 increase (decrease)	FY 2012 increase (decrease)
<b>Assets</b>					
Unrestricted current assets	\$ 785,656	\$ 870,025	\$ 973,345	\$ (84,369)	\$ (103,320)
Restricted current assets	1,664,639	2,318,502	2,807,009	(653,863)	(488,507)
Capital assets, net	6,385,858	5,331,736	4,459,842	1,054,122	871,894
Other noncurrent assets	44,874	45,437	102,166	(563)	(56,729)
<b>Total assets</b>	<b>8,881,027</b>	<b>8,565,700</b>	<b>8,342,362</b>	<b>315,327</b>	<b>223,338</b>
<b>Liabilities</b>					
Current liabilities payable from unrestricted assets	274,859	382,293	338,685	(107,434)	43,608
Current liabilities payable from restricted assets	102,125	110,482	169,554	(8,357)	(59,072)
Noncurrent liabilities	3,930,399	3,717,043	3,757,733	213,356	(40,690)
<b>Total liabilities</b>	<b>4,307,383</b>	<b>4,209,818</b>	<b>4,265,972</b>	<b>97,565</b>	<b>(56,154)</b>
<b>Net Position</b>					
Net investment in capital assets	2,714,732	2,407,904	2,061,683	306,828	346,221
Restricted for debt service	316,249	388,458	486,955	(72,209)	(98,497)
Restricted for capital projects	903,158	903,115	825,114	43	78,001
Restricted for operations and maintenance reserve	173,101	175,543	155,200	(2,442)	20,343
Restricted for other purposes	1,117	1,141	779	(24)	362
Unrestricted	465,287	479,721	546,659	(14,434)	(66,938)
<b>Total net position</b>	<b>\$ 4,573,644</b>	<b>\$ 4,355,882</b>	<b>\$ 4,076,390</b>	<b>\$ 217,762</b>	<b>\$ 279,492</b>

### 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 5% increase or \$217.8 million.



## Management's Discussion and Analysis (Unaudited)

June 30, 2013 and 2012

(continued)



The largest portion of LAWA's net position (\$2.7 billion or 59.3%) reflects its investment in capital assets (e.g. land, air easements, buildings, improvements, equipment and vehicles) less any related outstanding debt used to acquire those assets. An additional portion of LAWA's net position (\$1.4 billion or 30.5%) represents resources that are subject to various restrictions on how they may be used. The remaining balance of \$465.3 million (10.2%) may be used to meet LAWA's ongoing obligations.

Unrestricted current assets decreased by 9.7%, from \$870 million at June 30, 2012 to \$785.7 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 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 drawdowns reduced the year-end investment portfolio held by fiscal agents from \$1.2 billion in fiscal year 2012 to \$561 million in fiscal year 2013.

LAWA's capital assets additions are financed primarily through issuance of revenue bonds. Interim financing of such acquisitions is 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 recognition of the current portion of the receivable from the City General Fund of \$0.8 million and the offsetting net increase in unamortized bond issuance costs of \$0.4 million were the primary reasons for the decrease in other noncurrent assets.

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 \$213.4 million or 5.7%. Additional bond issuances during the year were the primary reason for the increase.





## Net Position, Fiscal Year 2012

As noted earlier, net position may serve as a useful indicator of LAWA's financial condition. At the close of fiscal years 2012 and 2011, LAWA's assets exceeded liabilities by \$4.4 billion and \$4.1 billion, respectively, representing a 6.9% increase or \$279.5 million.

The largest portion of LAWA's net position (\$2.4 billion or 55.3%) reflects its investment in capital assets (e.g. land, air easements, buildings, improvements, equipment and vehicles) less any related outstanding debt used to acquire those assets. An additional portion of LAWA's net position (\$1.5 billion or 33.7%) represents resources that are subject to various restrictions on how they may be used. The remaining balance of \$479.7 million (11%) may be used to meet LAWA's ongoing obligations.

Unrestricted current assets decreased by 10.6%, from \$973.3 million at June 30, 2011 to \$870 million at June 30, 2012. Unrestricted current assets consist primarily of cash and pooled investments (including reinvested cash collateral in 2011) held by the City Treasurer. Unrestricted cash inflows were from operating activities, interest income from investments, non-capital grants, and federal grant reimbursements for eligible capital projects. Unrestricted cash outflows were for transfers to fiscal agents for debt service and capital acquisitions to be reimbursed by bond funds. In addition, the City temporarily suspended its securities lending program in May 2012 such that the cash collateral for securities lent were returned to the borrowers of securities. As discussed further in Note 3 of the notes to the financial statements, LAWA participates in the City's securities lending program through the pooled investment fund.

Restricted current assets include cash and investments (including reinvested cash collateral in 2011) held by the City Treasurer 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. PFCs and CFCs capital expenditures were less than collections and interest earnings that resulted to a net incremental increase of approximately \$89.2 million in fiscal year 2012. Drawdowns from the amounts held by fiscal agents were used for LAWA capital expenditures incurred at LAX and for bond principal and interest payments. As noted above, the City temporarily suspended its securities lending program.

LAWA's capital assets additions are financed primarily through issuance of revenue bonds. Interim financing of such acquisitions is through the issuance of commercial paper notes. Capital assets, net of depreciation, increased by 19.5%. Ongoing construction and improvements to modernize LAX terminals and facilities were the primary reasons for the increase.

The decrease in other noncurrent assets from \$102.2 million in fiscal year 2011 to \$45.4 million in fiscal year 2012 was due primarily to the sale of long-term securities held by fiscal agents to purchase short-term securities. As previously discussed, drawdowns from amounts held by fiscal agents were used for ongoing capital expenditures at LAX.

Current liabilities payable from unrestricted assets had a net increase of \$43.6 million or 12.9%. This was mainly due to the issuance of commercial paper notes for interim financing of the construction activities at LAX, increased contract retentions for ongoing capital improvements, and LAWA's allocated share of the City Treasury's year-end pending investment trade. The offsetting decrease in obligations under securities lending transactions resulted from the temporary suspension of the securities lending program as referred to above.



**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2013 and 2012**  
 (continued)



Current liabilities payable from restricted assets had a net decrease of \$59.1 million or 34.8%. The current maturities for bonded debt increased by \$7 million, the restricted portion of the allocated year-end pending investment trade was \$29.6 million, and securities lending obligations decreased by \$95.4 million. The City Treasury's year-end pending investment trade is discussed in Note 3 of the notes to the financial statements.

The net decrease in noncurrent liabilities was \$40.7 million or 1.1%. Accounts with significant fluctuations were noncurrent portion of bonded debt with a decrease of \$59 million for scheduled principal maturities, and estimated claims payable with an increase of \$16.3 million due to the increase in the actuarially determined workers' compensation liability at June 30, 2012.

**Changes in Net Position Summary**

A condensed summary of LAWA's changes in net position for fiscal years ended 2013, 2012, and 2011 is presented below:

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

	FY 2013	FY 2012	FY 2011	FY 2013 increase (decrease)	FY 2012 increase (decrease)
Operating revenue	\$ 946,793	\$ 902,157	\$ 851,166	\$ 44,636	\$ 50,991
Less- Operating expenses	665,033	657,716	616,923	7,317	40,793
Operating income before depreciation and amortization	281,760	244,441	234,243	37,319	10,198
Less- Depreciation and amortization	159,719	151,654	130,805	8,065	20,849
Operating income	122,041	92,787	103,438	29,254	(10,651)
Other nonoperating revenue, net	77,749	124,264	115,281	(46,515)	8,983
Federal grants	17,972	62,441	75,171	(44,469)	(12,730)
Changes in net position	217,762	279,492	293,890	(61,730)	(14,398)
Net position, beginning of year	4,355,882	4,076,390	3,782,500	279,492	293,890
Net position, end of year	<u>\$ 4,573,644</u>	<u>\$ 4,355,882</u>	<u>\$ 4,076,390</u>	<u>\$ 217,762</u>	<u>\$ 279,492</u>





## Operating Revenue

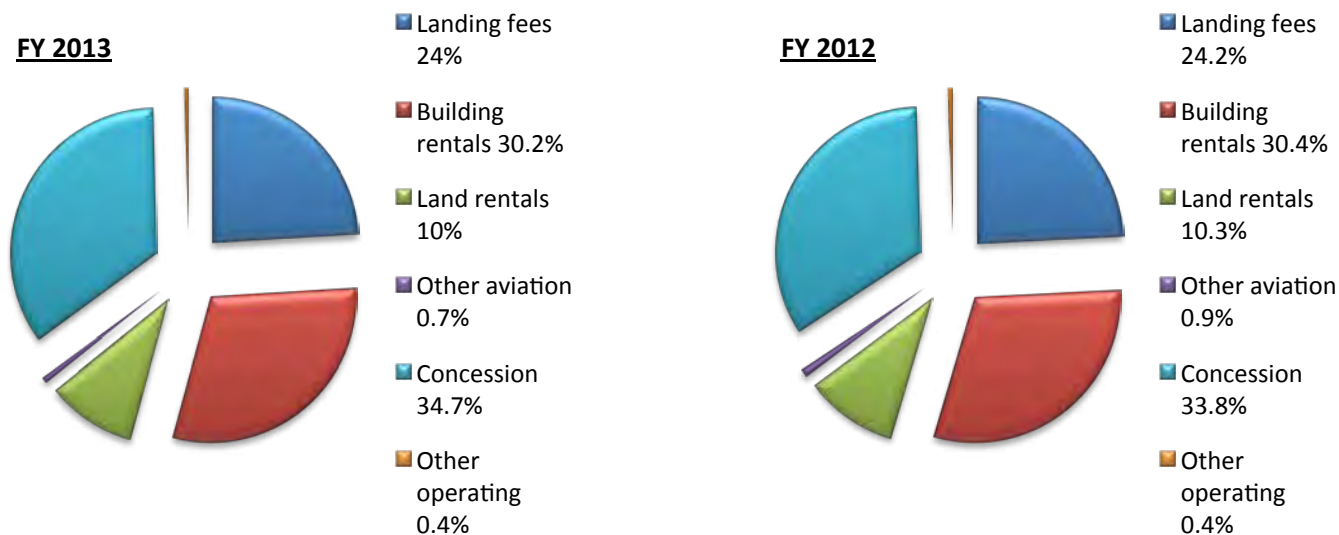
LAWA derives its operating revenue from several major airports business activities. The following table presents a summary of these business activities during fiscal years 2013, 2012, and 2011:

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

	FY 2013	FY 2012	FY 2011	FY 2013 increase (decrease)	FY 2012 increase (decrease)
Aviation revenue					
Landing fees	\$ 227,683	\$ 218,224	\$ 203,424	\$ 9,459	\$ 14,800
Building rentals	285,873	274,183	249,267	11,690	24,916
Land rentals	94,694	92,529	99,624	2,165	(7,095)
Other aviation revenue	6,336	8,456	4,033	(2,120)	4,423
Total aviation revenue	614,586	593,392	556,348	21,194	37,044
Concession revenue	328,636	304,670	290,494	23,966	14,176
Other operating revenue	3,571	4,095	4,324	(524)	(229)
Total operating revenue	\$ 946,793	\$ 902,157	\$ 851,166	\$ 44,636	\$ 50,991

### 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.



## Management's Discussion and Analysis (Unaudited)

### June 30, 2013 and 2012

(continued)



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 38), landing fees assessed air carriers at LAX and ONT are based on two methods, compensatory for LAX and residual fee for ONT. Terminal rental rates determination for ONT also follow the 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.

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, of which \$1.9 million is attributable to increase in landed weight that resulted from gains in passenger and cargo traffic; increase in landing rates contributed the remaining \$6.5 million as passenger and cargo rates increased by 3.3% and 1.4%, respectively. The increase in landing fees at ONT was of \$1.1 million due mainly to the 16.2% increase in landing fee rates.

At LAX, corollary to the improvements and refurbishments at the terminals as well as the adoption of the new rates and charges, building rental revenue posted growth of \$9.3 million as new and renegotiated leases were signed with the airlines and other tenants. At ONT, building rental increased by \$2.3 million. As earlier indicated, terminal rental rates at ONT are determined following the residual fee methodology.

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.

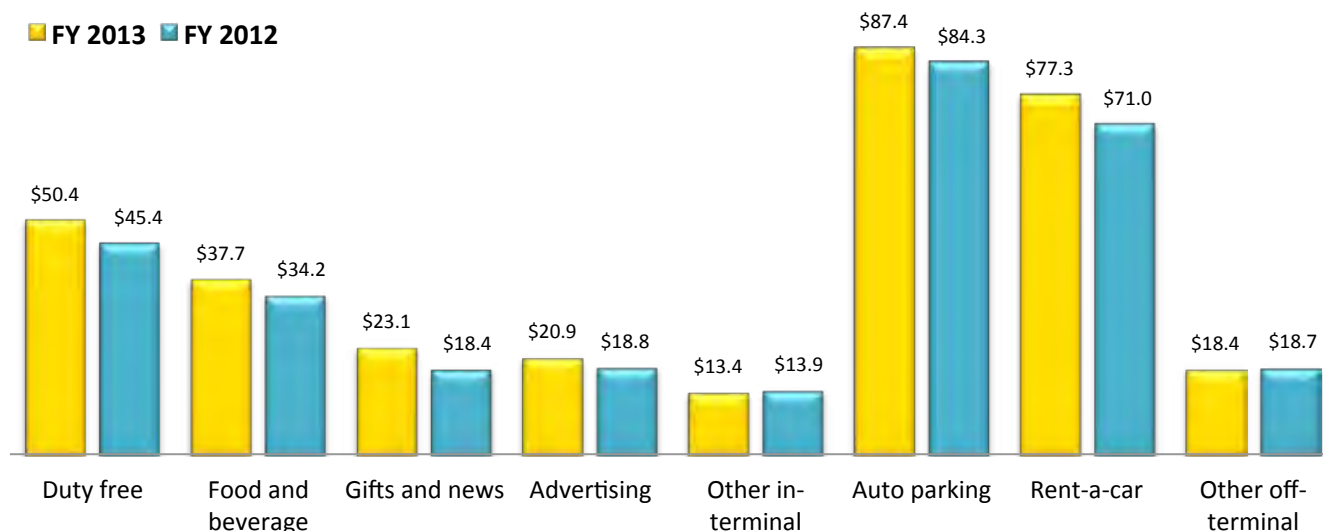
At LAX, in-terminal concession revenue during fiscal year 2013 had a net increase of \$15.5 million or 12.3% as compared to fiscal year 2012. The concessions benefited from the increased passenger traffic such that revenue from sales over the minimum annual guarantee (MAG) posted a notable improvement. At ONT, in-terminal concession revenue was down \$0.6 million from the prior year's figure.

At LAX, off-terminal concession revenue 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 rent-a-car (RAC), and offsetting net decrease of \$0.3 million from bus service where the flyaway bus services had a decline in ridership. At ONT, off-terminal concession revenue was down \$0.8 million from the prior year's figure.



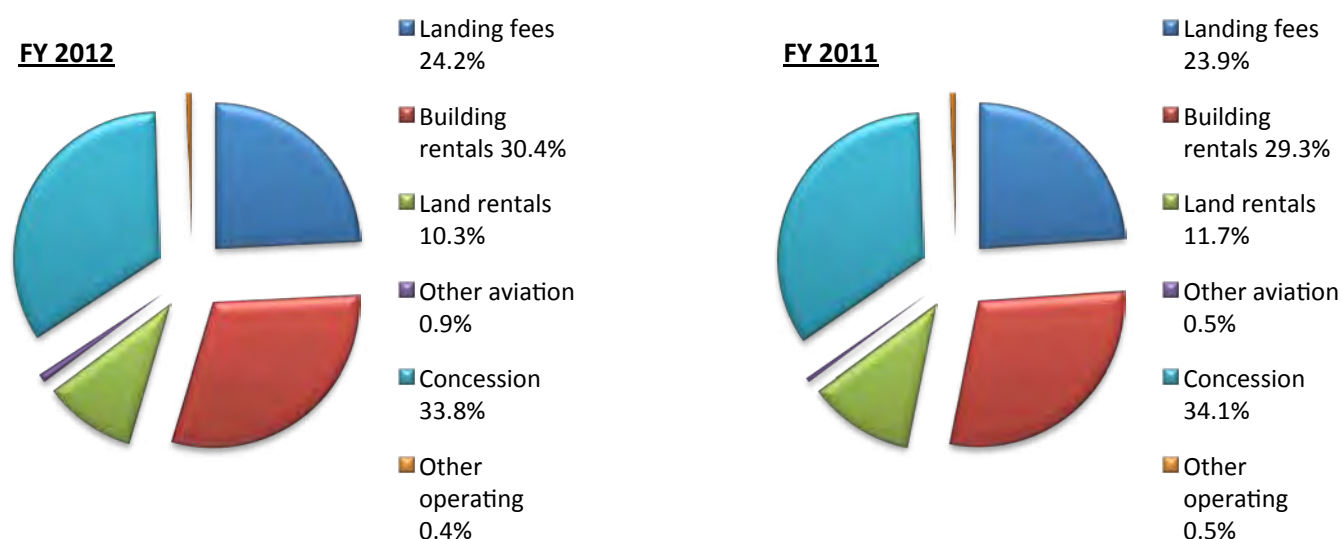


Comparative concession revenue by type for fiscal years 2013 and 2012 are presented in the following chart (amounts in millions).



## Operating Revenue, Fiscal Year 2012

The following chart illustrates the proportion of sources of operating revenue for fiscal years ended June 30, 2012 and 2011.



For the fiscal year ended June 30, 2012, total operating revenue was \$902.2 million, a \$51 million or 6% increase from the prior fiscal year. The growth in aviation related revenue was \$37 million. Non-aviation revenue had a net increase of \$14 million mostly from concessions.



## Management's Discussion and Analysis (Unaudited)

June 30, 2013 and 2012

(continued)



As described in the Notes to the Financial Statements (see page 38), landing fees assessed air carriers at LAX and ONT are based on two methods, compensatory for LAX and residual fee for ONT. Terminal rental rates determination for ONT also follow the 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.

Landing fees for the fiscal years ended June 30, 2012 and 2011 were \$218.2 million and \$203.4 million, respectively, for an increase of \$14.8 million or 7.3%. At LAX, landing fees were up by \$16.7 million, of which \$7.5 million is attributable to increase in landed weight that resulted from gains in passenger and cargo traffic; increase in landing rates contributed the remaining \$9.2 million as passenger and cargo rates increased by 4.4% and 7.6%, respectively. The offsetting decrease in landing fees at ONT was \$1.9 million as passenger traffic continued to decline.

At LAX, corollary to the improvements and refurbishments at the terminals, building rental revenue posted growth of \$27 million as new and renegotiated leases were signed with the airlines and other tenants. Maintenance and operations charges as a component of the building rental also increased. At ONT, building rental declined by \$2.1 million. As earlier indicated, terminal rental rates at ONT are determined following the residual fee methodology.

Land rental revenue declined from \$99.6 million in fiscal year 2011 to \$92.5 million in fiscal year 2012. The variation is mostly from activities at LAX where land rental rates increase of 18% to 20% was effective fiscal year 2011, with a retroactive application covering the period November 2008 through June 30, 2010. Additionally, a 17% increase in rental rates for properties 20 acres or less was effective fiscal year 2012. The offsetting net retroactive payments of approximately \$14.7 million against the actual year-to-year increase of \$8.1 million caused the decline of \$6.6 million in land rental revenue at LAX. At ONT, land rental revenue decreased by \$0.5 million.

Revenue from concessions was \$304.7 million in fiscal year 2012, a 4.9% growth from fiscal year 2011 figure of \$290.5 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 2012 had a net increase of \$3.7 million or 3% as compared to fiscal year 2011. Duty free concessions benefited from the increased passenger traffic posting revenue growth of \$8.7 million mostly from sales over the minimum annual guarantee (MAG). The offsetting decrease of \$5 million was due primarily to MAG reductions and waiver credits given to certain food and beverage, retail merchants, and telecommunications concessionaires. At ONT, in-terminal concession revenue was down \$0.3 million from the prior year's figure.

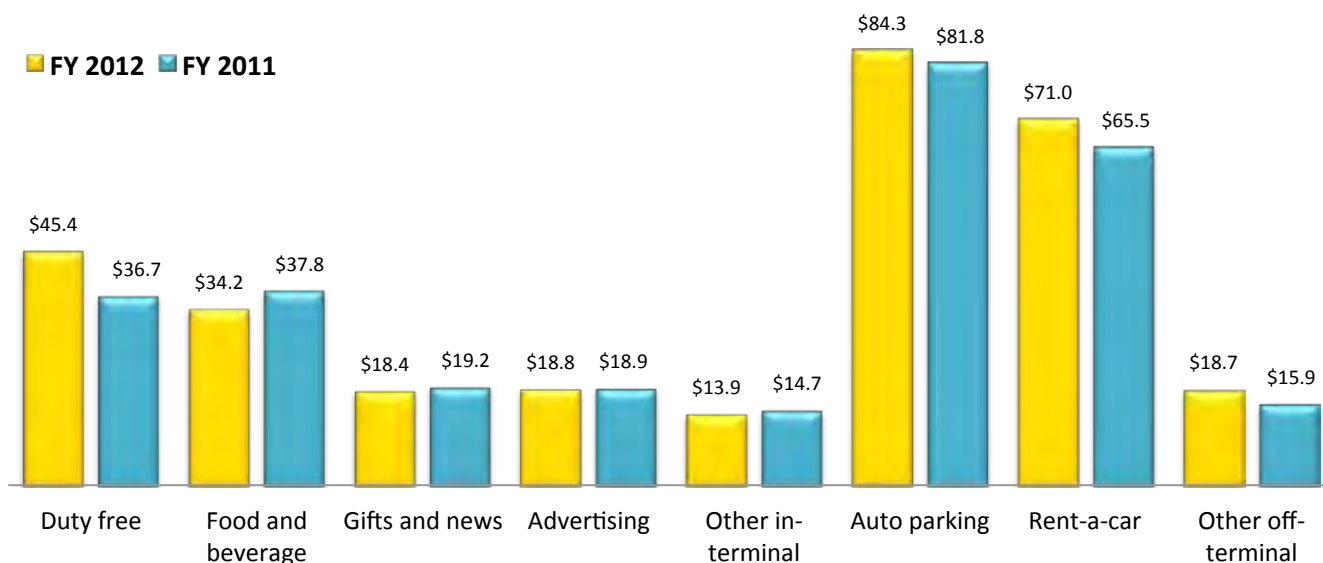
At LAX, off-terminal concession revenue in fiscal year 2012 was \$152.6 million as compared to \$140.7 million in fiscal year 2011, an increase of \$11.9 million. Of the \$11.9 million, \$3.3 million was from auto parking and \$5.8 million from rent-a-car (RAC). The increase in sales over MAG for RAC was \$3.4 million, while the increase in MAG was \$2.3 million. MAG for RAC is adjusted annually based on the prior year's activities. At ONT, off-terminal concession revenue was down \$1.1 million from the prior year's figure.







Comparative concession revenue by type for fiscal years 2012 and 2011 are presented in the following chart (amounts in millions).



## Operating Expenses

The following table presents a summary of LAWA operating expenses for the fiscal years ended June 30, 2013, 2012, and 2011. 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)

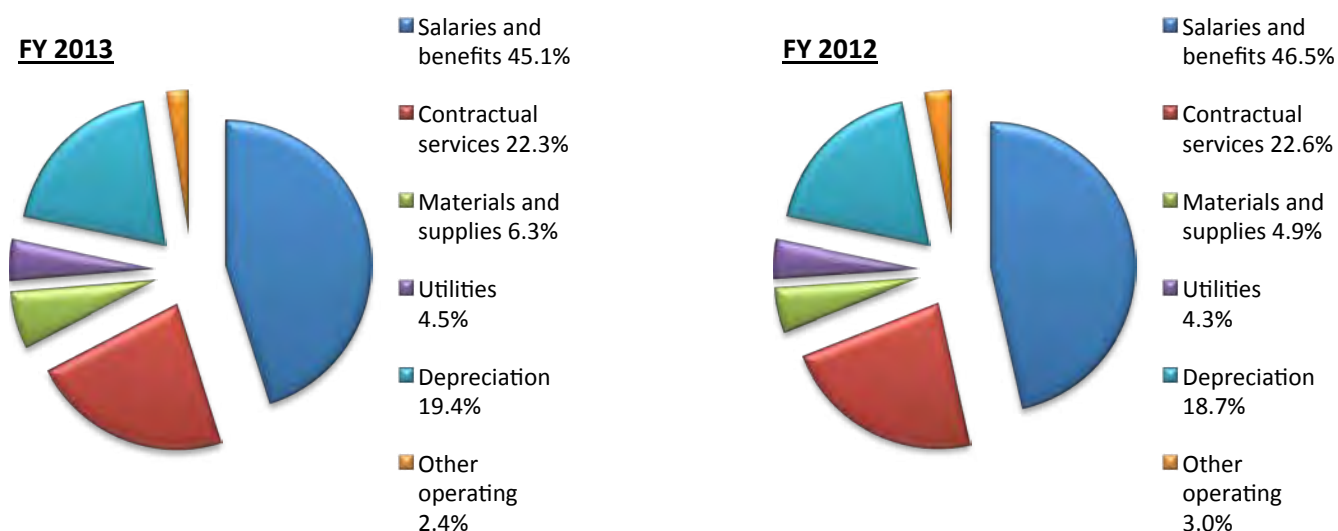
	FY 2013	FY 2012	FY 2011	FY 2013 increase (decrease)	FY 2012 increase (decrease)
Salaries and benefits	\$ 371,708	\$ 376,042	\$ 359,700	\$ (4,334)	\$ 16,342
Contractual services	184,139	182,487	161,784	1,652	20,703
Materials and supplies	52,158	39,881	37,343	12,277	2,538
Utilities	37,089	35,048	34,392	2,041	656
Other operating expenses	19,939	24,258	23,704	(4,319)	554
Operating expenses before depreciation	665,033	657,716	616,923	7,317	40,793
Depreciation	159,719	151,654	130,805	8,065	20,849
Total operating expenses	\$ 824,752	\$ 809,370	\$ 747,728	\$ 15,382	\$ 61,642





## 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.



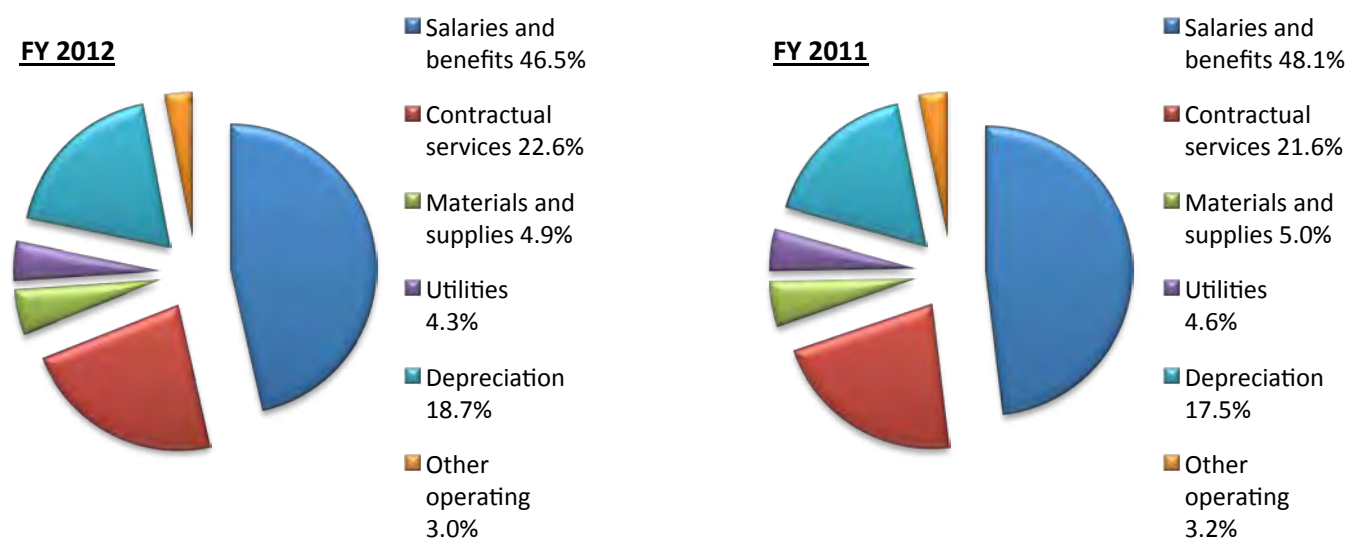
For the fiscal year ended June 30, 2013, operating expenses were \$824.8 million, a \$15.4 million or 1.9% increase from the prior fiscal year. Expense categories that posted significant fluctuations were materials and supplies, up by \$12.3 million and depreciation, up by \$8.1 million. The remaining 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 project to comply with FAA regulations. The increase in depreciation charges to \$159.7 million 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 reevaluation 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.





## Operating Expenses, Fiscal Year 2012

The following chart illustrates the proportion of categories of operating expenses for fiscal years ended June 30, 2012 and 2011.



For the fiscal year ended June 30, 2012, operating expenses were \$809.4 million, a \$61.6 million or 8.2% increase from the prior fiscal year. Expense categories that posted significant fluctuations were salaries and benefits, up by \$16.3 million; contractual services, up by \$20.7 million; and depreciation, up by \$20.8 million. The remaining expense accounts had an aggregate increase of \$3.8 million. For salaries and benefits, the primary reason was the increase in year-end accrual for workers' compensation. The liability for workers' compensation is actuarially determined and the difference over the prior year's valuation is booked at the end of the year, net of claims and payments during the year.

The medical expense component of the estimated workers' compensation liability had an increase of 59.6% over the prior year's figure. The increase in consulting costs for planning, engineering, environmental, and systems services was the primary driver of the increase in contractual services. These additional operating costs were incurred as a consequence of the capital improvement and modernization projects at LAX. The increase in depreciation charges to \$151.7 million from \$130.8 million in the prior fiscal year was due to the completion of certain major projects at LAX terminals and airfield. During fiscal year 2012, \$898.6 million was reclassified from construction work in progress to depreciable capital asset categories.



# Management's Discussion and Analysis (Unaudited)

June 30, 2013 and 2012

(continued)



## Nonoperating Transactions

Nonoperating transactions are activities that do not result from providing services and producing and delivering goods in connection with LAWA's ongoing operations. The following table presents a summary of these activities during fiscal years 2013, 2012, and 2011.

### Summary of Nonoperating Transactions (amounts in thousands)

	<u>FY 2013</u>	<u>FY 2012</u>	<u>FY 2011</u>	<u>FY 2013 increase (decrease)</u>	<u>FY 2012 increase (decrease)</u>
Nonoperating revenue					
Passenger facility charges	\$ 130,512	\$ 130,769	\$ 128,084	\$ (257)	\$ 2,685
Customer facility charges	30,896	29,643	27,821	1,253	1,822
Interest income	27,749	30,280	32,576	(2,531)	(2,296)
Net change in fair value of investments	(24,764)	5,734	(775)	(30,498)	6,509
Other nonoperating revenue	<u>11,518</u>	<u>15,848</u>	<u>13,918</u>	<u>(4,330)</u>	<u>1,930</u>
	<u>\$ 175,911</u>	<u>\$ 212,274</u>	<u>\$ 201,624</u>	<u>\$ (36,363)</u>	<u>\$ 10,650</u>
Nonoperating expenses					
Interest expense	\$ 97,089	\$ 86,700	\$ 82,501	\$ 10,389	\$ 4,199
Other nonoperating expenses	<u>1,073</u>	<u>1,310</u>	<u>3,842</u>	<u>(237)</u>	<u>(2,532)</u>
	<u>\$ 98,162</u>	<u>\$ 88,010</u>	<u>\$ 86,343</u>	<u>\$ 10,152</u>	<u>\$ 1,667</u>
Federal capital grants	<u>\$ 17,972</u>	<u>\$ 62,441</u>	<u>\$ 75,171</u>	<u>\$ (44,469)</u>	<u>\$ (12,730)</u>

### Nonoperating 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 PFCs 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 net change in the investment rates was translated to the downward year-end net adjustment of the fair value of investment securities. A component of nonoperating 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.





## Nonoperating Transactions, Fiscal Year 2012

For fiscal year 2012, the increase of \$2.7 million in PFCs from the prior fiscal year represents a 2.1% improvement. Increase in PFCs from LAX amounted to \$3.6 million aligned with the encouraging gain in passenger traffic, while ONT had an offsetting decrease of \$0.9 million. 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 increase in interest income was reflective of the improving interest rates. While the annualized rates of return of the Treasury Pool reserve and core portfolios for fiscal year 2012 of 2.38% and 0.21% were down from the prior fiscal year rates of 2.57% and 0.22%, respectively, there was an improvement in investment indices for the quarter ended June 30, 2012. That improvement was translated to upward adjustment of the fair value of investment securities. Build America Bonds subsidy, a component of other nonoperating revenue, was \$8.3 million in fiscal year 2012 compared to \$7.6 million in fiscal year 2011. The increase in interest expense was corollary to the additional issuances of revenue bonds to finance capital improvement projects. The settlement of a lawsuit at ONT is the main reason for the higher nonoperating expense in fiscal year 2011 as compared to fiscal year 2012. Eligible expenditures for capital grant related projects were less in fiscal year 2012 as compared to fiscal year 2011.

## Long-Term Debt

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, 2012, LAWA's outstanding long-term debt was \$3.6 billion. Scheduled principal maturities paid during fiscal year 2012 reduced the June 30, 2011 balance by \$48.3 million.

As of June 30, 2013 and 2012, LAWA had \$338.2 million and \$409.5 million investments, respectively, held by fiscal agents that are pledged for the payment or security of the outstanding bonds.

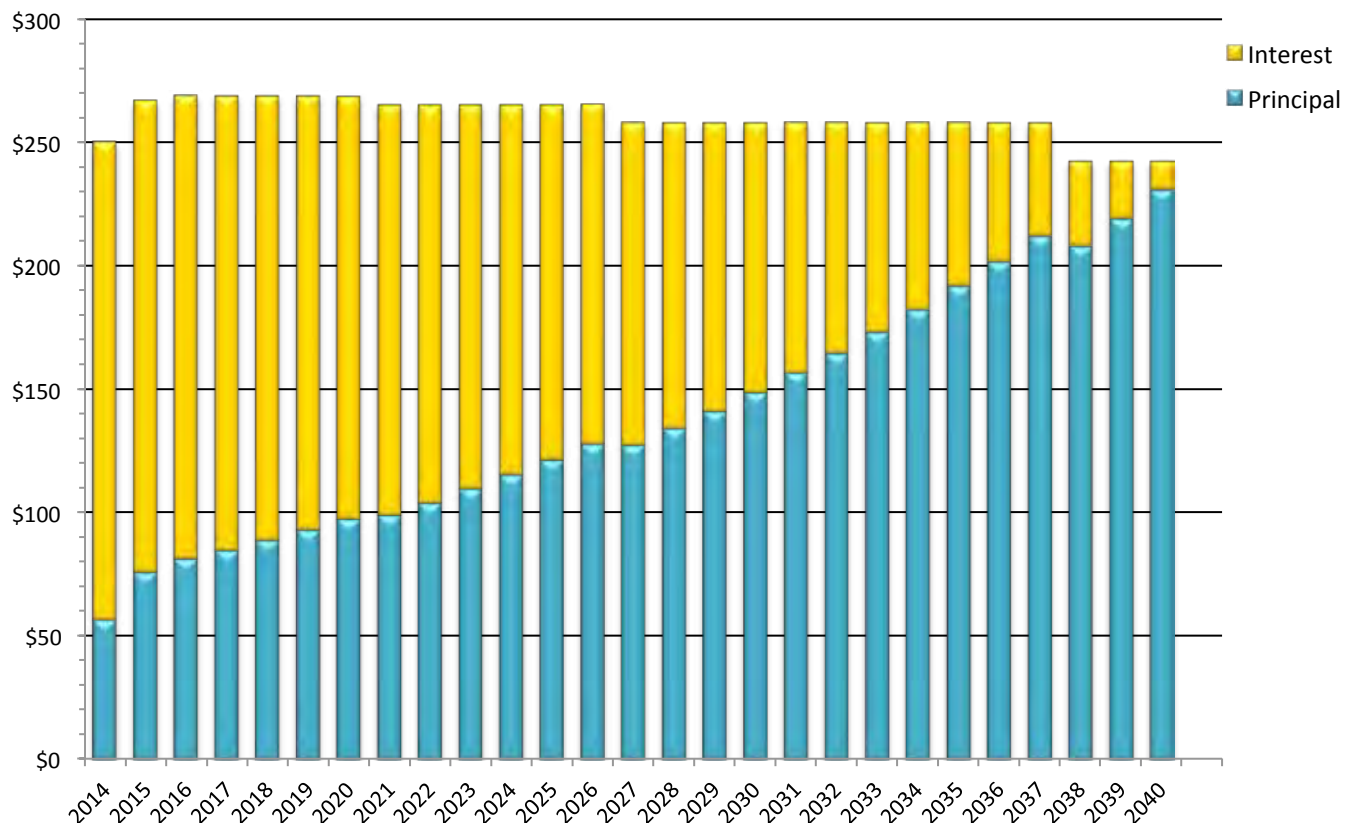
As of June 30, 2013 and 2012, the ratings of LAWA's outstanding bonds by Standard & Poor's Rating Services, Moody's Investors Service (Moody's), and Fitch Ratings were as follows: AA, Aa3, and AA for LAX Senior Bonds; AA-, A1, and AA- for LAX Subordinate Bonds; and A-, A3, and A- for outstanding ONT bonds, respectively.

Additional information regarding LAWA's bonded debt can be found in Note 6 of the Notes to the Financial Statements beginning on page 49.





Outstanding principal, plus scheduled interest as of June 30, 2013, is scheduled to mature as shown in the following chart (amounts in millions).



## Capital Assets

LAWA's investment in capital assets, net of accumulated depreciation, as of June 30, 2013 and 2012 were \$6.4 billion and \$5.3 billion, respectively. This investment, which accounts for 71.9% and 62.2% of LAWA's total assets as of June 2013 and 2012, 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 page 37. Additional information can be found on Note 4 on page 46.

### Capital Assets, Fiscal Year 2013

Major capital assets 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 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 million for airfield and runways, \$7 million for noise mitigation program, \$83.8 million for terminals and facilities, and \$38.3 million for various other projects.

## Capital Assets, Fiscal Year 2012

Major capital assets activities during fiscal year 2012 were as follows:

- LAX- \$579.5 million improvements and security upgrades at the Tom Bradley International Terminal (TBIT).
- LAX- \$98.2 million replacement of the Central Utility Plant and cogeneration facilities.
- LAX- \$69.4 million renovations at Terminals 5 and 6.
- LAX- \$41.4 million residential acquisition, soundproofing, and noise mitigation.
- LAX- \$31.6 million security program-in-line baggage screening.
- LAX- \$27.9 million various IT network and systems projects.
- LAX- \$15.8 million repairs and improvements of elevators and escalators.
- LAX- \$5.8 million construction of new north/south crossfield taxiway and apron for overnight parking.



## Management's Discussion and Analysis (Unaudited)

June 30, 2013 and 2012

(continued)



At June 30, 2012, the amounts committed for capital expenditures were as follows: \$7.8 million for airfield and runways, \$6.8 million for noise mitigation program, \$84.9 million for terminals and facilities, and \$17.9 million for various other projects.

### Landing Fees, Fiscal Year 2014

The airline landing fees for fiscal year 2014, which became effective as of July 1, 2013 are as follows:

#### Los Angeles International Airport

<u>Permitted air carriers</u>	<u>Non-permitted air carriers</u>	
\$ 60.00	\$ 75.00	For each landing of aircraft having a maximum gross landing weight of 12,500 pounds or less
115.00	144.00	For each landing of aircraft having a maximum gross landing weight of more than 12,500 pounds up to and including 25,000 pounds
3.78	4.73	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
4.60	5.75	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

#### LA/Ontario International Airport

<u>Signatory airlines</u>	<u>Non-signatory airlines</u>	
\$ 30.00	\$ 38.00	For each landing of aircraft having a maximum gross landing weight of 12,500 pounds or less
58.00	73.00	For each landing of aircraft having a maximum gross landing weight of more than 12,500 pounds up to and including 25,000 pounds
2.32	2.94	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.







## 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, Interim Chief Financial Officer, Los Angeles World Airports, 1 World Way, Los Angeles, CA 90045.



This page intentionally left blank.





2013 COMPREHENSIVE ANNUAL FINANCIAL REPORT

# Financial Statements





## Financial Statements

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



**Statements of Net Position**  
**June 30, 2013 and 2012**  
(amounts in thousands)

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Current Assets		
Unrestricted current assets		
Cash and pooled investments held in City Treasury	\$ 691,321	\$ 716,675
Investments with fiscal agents	55	61,764
Accounts receivable, net of allowance for uncollectible accounts: 2013 - \$6,844; 2012 - \$8,726	35,186	27,685
Unbilled receivables	33,032	30,073
Accrued interest receivable	3,299	3,816
Grants receivable	19,872	24,011
Loans receivable	152	141
Receivable from City General Fund	816	793
Prepaid expenses	117	3,106
Inventories	1,806	1,961
Total unrestricted current assets	<u>785,656</u>	<u>870,025</u>
Restricted current assets		
Cash and pooled investments held in City Treasury	1,074,656	1,090,767
Investments with fiscal agents, includes cash and cash equivalents: 2013 - \$561,035; 2012 - \$1,144,974	561,035	1,199,711
Accrued interest receivable	2,910	3,015
Passenger facility charges receivable	22,906	22,352
Customer facility charges receivable	3,132	2,657
Total restricted current assets	<u>1,664,639</u>	<u>2,318,502</u>
Total current assets	<u>2,450,295</u>	<u>3,188,527</u>
Noncurrent Assets		
Capital assets		
Not depreciated	3,878,232	2,952,502
Depreciated, net	2,507,626	2,379,234
Total capital assets	<u>6,385,858</u>	<u>5,331,736</u>
Other noncurrent assets		
Restricted investments with fiscal agents	6,843	6,843
Loans receivable, net of current portion	1,018	1,170
Receivable from City General Fund, net of current portion	13,841	14,657
Deferred bond issuance costs	23,172	22,767
Total other noncurrent assets	<u>44,874</u>	<u>45,437</u>
Total noncurrent assets	<u>6,430,732</u>	<u>5,377,173</u>
<b>TOTAL ASSETS</b>	<u>\$ 8,881,027</u>	<u>\$ 8,565,700</u>



**Statements of Net Position (continued)**  
**June 30, 2013 and 2012**  
(amounts in thousands)



	<u>2013</u>	<u>2012</u>
<b>LIABILITIES</b>		
Current Liabilities		
Current liabilities payable from unrestricted assets		
Contracts and accounts payable	\$ 161,186	\$ 161,804
Accrued salaries	10,958	10,244
Accrued employee benefits	4,812	4,513
Estimated claims payable	6,933	6,421
Commercial paper	68,086	162,199
Unearned revenue	9,536	4,215
Obligations under securities lending transactions	2,634	--
Other current liabilities	10,714	32,897
Total current liabilities payable from unrestricted assets	<u>274,859</u>	<u>382,293</u>
Current liabilities payable from restricted assets		
Contracts and accounts payable	3,921	2,312
Current maturities of bonded debt	56,890	55,265
Accrued interest payable	24,213	23,316
Obligations under securities lending transactions	4,668	--
Other current liabilities	12,433	29,589
Total current liabilities payable from restricted assets	<u>102,125</u>	<u>110,482</u>
Total current liabilities	<u>376,984</u>	<u>492,775</u>
Noncurrent Liabilities		
Bonded debt, net of current portion	3,798,719	3,587,606
Accrued employee benefits, net of current portion	38,933	36,516
Estimated claims payable, net of current portion	66,711	64,115
Unearned revenue, net of current portion	--	871
Liability for environmental/hazardous materials cleanup	12,783	12,783
Net pension obligation	9,462	9,474
Other long-term liabilities	3,791	5,678
Total noncurrent liabilities	<u>3,930,399</u>	<u>3,717,043</u>
<b>TOTAL LIABILITIES</b>	<u>4,307,383</u>	<u>4,209,818</u>
<b>NET POSITION</b>		
Net investment in capital assets	2,714,732	2,407,904
Restricted for:		
Debt service	316,249	388,458
Passenger facility charges funded projects	739,218	766,761
Customer facility charges funded projects	155,064	127,802
Other capital projects	8,876	8,552
Operations and maintenance reserve	173,101	175,543
Other purposes	1,117	1,141
Unrestricted	465,287	479,721
<b>TOTAL NET POSITION</b>	<u>\$ 4,573,644</u>	<u>\$ 4,355,882</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, 2013 and 2012**  
(amounts in thousands)

	<u>2013</u>	<u>2012</u>
<b>OPERATING REVENUE</b>		
Aviation revenue		
Landing fees	\$ 227,683	\$ 218,224
Building rentals	285,873	274,183
Land rentals	94,694	92,529
Other aviation revenue	6,336	8,456
Total aviation revenue	<u>614,586</u>	<u>593,392</u>
Concession revenue	328,636	304,670
Other operating revenue	3,571	4,095
Total operating revenue	<u>946,793</u>	<u>902,157</u>
<b>OPERATING EXPENSES</b>		
Salaries and benefits	371,708	376,042
Contractual services	184,139	182,487
Materials and supplies	52,158	39,881
Utilities	37,089	35,048
Other operating expenses	19,939	24,258
Total operating expenses before depreciation and amortization	<u>665,033</u>	<u>657,716</u>
Operating income before depreciation and amortization	281,760	244,441
Depreciation and amortization	159,719	151,654
<b>OPERATING INCOME</b>	<u>122,041</u>	<u>92,787</u>
<b>NONOPERATING REVENUE (EXPENSES)</b>		
Passenger facility charges	130,512	130,769
Customer facility charges	30,896	29,643
Interest income	27,749	30,280
Net change in fair value of investments	(24,764)	5,734
Interest expense	(97,089)	(86,700)
Other nonoperating revenue	11,518	15,848
Other nonoperating expenses	(1,073)	(1,310)
Total nonoperating revenue, net	<u>77,749</u>	<u>124,264</u>
<b>INCOME BEFORE CAPITAL GRANTS</b>	199,790	217,051
Federal and other government grants	17,972	62,441
<b>CHANGE IN NET POSITION</b>	217,762	279,492
<b>NET POSITION, BEGINNING OF YEAR</b>	4,355,882	4,076,390
<b>NET POSITION, END OF YEAR</b>	<u>\$ 4,573,644</u>	<u>\$ 4,355,882</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, 2013 and 2012**  
(amounts in thousands)

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 934,703	\$ 905,137
Payments to suppliers	(242,248)	(142,837)
Payments for employee salaries and benefits	(362,216)	(362,222)
Payments for City services	(78,544)	(81,072)
Net cash provided by operating activities	<u>251,695</u>	<u>319,006</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Noncapital grants received	<u>13,027</u>	<u>11,206</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from sale of revenue bonds and commercial paper notes	199,406	209,398
Principal paid on revenue bonds and commercial paper notes	(69,180)	(210,511)
Interest paid on revenue bonds and commercial paper notes	(189,743)	(188,406)
Revenue bonds and commercial paper notes issuance costs	(2,003)	--
Payments to escrow accounts for bond refunding and redemption	(5,980)	--
Acquisition and construction of capital assets	(1,100,085)	(939,230)
Proceeds from passenger facility charges	129,958	129,280
Proceeds from customer facility charges	30,421	29,912
Capital contributed by federal agencies	18,539	64,921
Net cash used for capital and related financing activities	<u>(988,667)</u>	<u>(904,636)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income	28,645	31,029
Net change in fair value of investments	(24,764)	5,734
Cash collateral received (paid) under securities lending transactions	7,302	(165,984)
Purchases (sales) of investments	(29,088)	48,539
Proceeds from maturities of investments held by fiscal agents	54,737	185,855
Net cash provided by investing activities	<u>36,832</u>	<u>105,173</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(687,113)	(469,251)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>3,014,180</u>	<u>3,483,431</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 2,327,067</u>	<u>\$ 3,014,180</u>
<b>CASH AND CASH EQUIVALENTS COMPONENTS</b>		
Cash and pooled investments held in City Treasury- unrestricted	\$ 691,321	\$ 716,675
Investments with fiscal agents- unrestricted	55	61,764
Cash and pooled investments held in City Treasury- restricted	1,074,656	1,090,767
Investments with fiscal agents- restricted	561,035	1,144,974
Total cash and cash equivalents	<u>\$ 2,327,067</u>	<u>\$ 3,014,180</u>







	<u>2013</u>	<u>2012</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating income	\$ 122,041	\$ 92,787
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	159,719	151,654
Change in provision for uncollectible accounts	(1,882)	7,633
Other nonoperating revenue, net	1,628	774
Changes in assets and liabilities		
Accounts receivable	(5,619)	(19,480)
Unbilled receivables	(2,959)	9,323
Prepaid expenses and inventories	3,164	(2,655)
Loans receivable	141	131
Contracts and accounts payable	(23,282)	53,231
Accrued salaries	714	1,407
Accrued employee benefits	2,716	(2,092)
Other liabilities	(4,686)	26,293
Total adjustments	<u>129,654</u>	<u>226,219</u>
Net cash provided by operating activities	<u>\$ 251,695</u>	<u>\$ 319,006</u>
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of capital assets included in contracts and accounts payable	\$ 80,429	\$ 54,811
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.



This page intentionally left blank.





## 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:

	<u>Page</u>
1. Reporting Entity and Summary of Significant Accounting Policies .....	35
2. New Accounting Standards .....	41
3. Cash and Investments .....	42
4. Capital Assets .....	46
5. Commercial Paper .....	47
6. Bonded Debt .....	49
7. Changes in Long-Term Liabilities .....	52
8. Leases .....	53
9. Passenger Facility Charges .....	56
10. Customer Facility Charges .....	57
11. Capital Grant Contributions .....	57
12. Related Party Transactions .....	57
13. Pension and Other Postemployment Benefit Plans .....	58
14. Risk Management .....	59
15. Commitments, Litigations, and Contingencies .....	60
16. Other Matter .....	64
17. Subsequent Event .....	64



This page intentionally left blank.





**Notes to the Financial Statements**  
**June 30, 2013 and 2012**

**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 results of operations 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 generally accepted accounting principles (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.





As further discussed in Note 2, LAWA applies all applicable GASB pronouncements as well as private sector pronouncements issued by the Financial Accounting Standards Board (FASB), unless such FASB pronouncements conflict or contradict GASB pronouncements.

**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 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 2013 and 2012 were \$88.1 million and \$95.6 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; landplane ports, 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 Nonoperating Revenues and Expenses**

LAWA distinguishes between operating revenues and expenses, and nonoperating 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 nonoperating 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.





**i. Landing Fees**

Landing fee rates are used to determine what fees are to be charged to the airlines each time that a qualified aircraft lands at either LAX or ONT. These fees are calculated using complex and unique allocation methods of relevant operating costs attributable to operational activities approved by the airlines. Two types of landing fee methods are applied by LAWA, compensatory and residual. Under the compensatory fee methodology, the fees charged by LAX for a facility or service are based on costs attributable only to that facility or service. For example, the landing fees charged for using the airfield and apron are based on LAWA's actual costs of operating the airfield and apron. Under the residual fee methodology, ONT sets the airlines' landing fees so that those fees provide the revenue needed to offset the difference between ONT's total expenses and the revenues collected by the airport from other sources, such as concession revenues and persons using its parking lots. For control purposes, the landing fees at LAX and ONT airports are calculated twice each year.

**j. Concession Revenue**

Concession revenue is generated through LAWA concessionaires or tenants who pay monthly fees for using airport facilities to offer their goods and services to the general public and air traveling community. Payments to LAWA are based on negotiated agreements with concessionaires to remit amounts based on either a Minimum Annual Guarantee (MAG) or on gross receipts. Amounts recorded to concession 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.

**k. 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: (i) terminal building rate, (ii) federal inspection services area (FIS) rate, (iii) common use holdroom rate, (iv) common use baggage claim rate, (v) common use outbound baggage system rate, (vi) common use ticket counter rate, and (vii) terminal special charges for custodial services, outbound baggage system maintenance, terminal airline support systems, and loading bridge capital and maintenance.

The new rates apply beginning January 1, 2013 to airlines and airline consortia agreeing to the new methodology and executing a rate agreement with LAWA (signatory airlines) by December 15, 2012. Agreements executed after December 15, 2012 commence on the first day of the next month beginning no less than sixty days after the execution of the agreement. 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 will have the effect of reducing the calculated terminal building rate (beginning calendar year 2014) and FIS rate (beginning calendar year 2016). Tier Two Revenue Sharing will be 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) will be charged with the new rates effective January 1, 2013. Non-signatory airlines are not eligible to participate in the STP and revenue sharing programs.

#### **I. 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, 2013 and 2012 are as follows (amounts in thousands):

<u>Type of benefit</u>	<u>2013</u>	<u>2012</u>
Accrued vacation leave	\$ 22,972	\$ 21,655
Accrued sick leave	<u>20,773</u>	<u>19,374</u>
Total	<u>\$ 43,745</u>	<u>\$ 41,029</u>

#### **n. Federal Grants**

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

#### **o. Bond Premiums, Discounts, Refunding Charges, and Issuance Costs**

Bond premiums, discounts, issuance costs, 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 and deferred losses on extinguishment. Bond issuance costs are reported as a component of other noncurrent assets and amortized over the term of the related debt.





**p. 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 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, 2013 and 2012, net position of \$894.3 million and \$894.6 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.

**q. 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.

**r. 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.

**s. Reclassifications**

Certain reclassifications have been made to fiscal year 2012 amounts in order to conform to the fiscal year 2013 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 2013.

Issued in November 2010, GASB Statement No. 60, *“Accounting and Financial Reporting for Service Concession Arrangements,”* addresses service concession arrangements (SCAs), which are a type of public-private or public-public partnership. This statement requires disclosures about SCAs including a general description of the arrangement and information about the associated assets, liabilities, and deferred inflows, the rights granted and retained, and guarantees and commitments. This statement had no impact on LAWA’s financial statements.

Issued in November 2010, GASB Statement No. 61, *“The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34,”* modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, and financial reporting entity display and disclosure requirements. This statement had no impact on LAWA’s financial statements.

Issued in December 2010, GASB Statement No. 62, *“Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,”* incorporates into GASB’s authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989 and does not conflict with or contradict GASB pronouncements: (a) Financial Accounting Standards Board (FASB) Statements and Interpretations, (b) Accounting Principles Board Opinions, and (c) Accounting Research Bulletins of the American Institute of Certified Public Accountants’ (AICPA) Committee on Accounting Procedure. This statement had no material impact on LAWA’s financial statements.

Issued in June 2011, GASB Statement No. 63, *“Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,”* provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources, and amends the net assets reporting requirements in GASB Statement No. 34, *“Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments”* and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. This statement had no material impact on LAWA’s financial statements.

LAWA is evaluating the potential impacts of the following GASB statements on its accounting practices and financial statements.

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. Implementation of this statement is effective fiscal year 2014.





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. Implementation of this statement is effective fiscal year 2014.

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 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 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. Implementation of this statement is effective fiscal year 2014.

### **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.

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, 2013 and 2012 represented approximately 24% and 26%, 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 was subsequently settled in the subsequent fiscal year. LAWA's allocated share for fiscal years 2013 and 2012 were \$19.5 million and \$48.5 million, respectively. 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, 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, 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.

**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>2013</u>	<u>2012</u>
Unrestricted, current		
Commercial paper	\$ 55	\$ 61,764
Restricted, current and noncurrent		
Bond security funds	338,182	409,495
Construction funds	<u>229,696</u>	<u>797,059</u>
Subtotal	<u>567,878</u>	<u>1,206,554</u>
Total	<u>\$ 567,933</u>	<u>\$ 1,268,318</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, 2013, the investments and their maturities are as follows (amounts in thousands):

	Amount	Investment maturities		
		1 to 30 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>			

At June 30, 2012, the investments and their maturities are as follows (amounts in thousands):

	Amount	Investment maturities			
		1 to 30 days	31 to 60 days	61 to 365 days	366 days to over 5 years
U.S. Treasury notes	\$ 54,737	\$ --	\$ --	\$ 54,737	\$ --
Money market mutual funds	1,140,572	276,741	863,831	--	--
Collateralized investment contract	6,843	--	--	--	6,843
Subtotal	1,202,152	<u>\$ 276,741</u>	<u>\$ 863,831</u>	<u>\$ 54,737</u>	<u>\$ 6,843</u>
Bank deposit accounts	66,166				
Total	<u>\$ 1,268,318</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, 2013 and 2012, 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. In August 2011, Standard and Poor's lowered its long-term credit rating on U.S. government debt from AAA to AA+. This downgrade relates to the credit risk associated with LAWA's investments in U.S. Treasury notes held by the fiscal agents at June 30, 2012.

As of June 30, 2013, LAWA's investments in the State of California Local Agency Investment Fund (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.

#### 4. Capital Assets

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>
Capital assets not depreciated					
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>
Capital assets depreciated					
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>
Less accumulated depreciation					
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>







LAWA had the following activities in capital assets during fiscal year 2012 (amounts in thousands):

	Balance at <u>July 1, 2011</u>	<u>Additions</u>	Retirements & disposals	<u>Transfers</u>	Balance at <u>June 30, 2012</u>
<b>Capital assets not depreciated</b>					
Land and land clearance	\$ 834,124	\$ --	\$ --	\$ 37,933	\$ 872,057
Air easements	46,975	--	--	--	46,975
Emission reduction credits	5,918	--	--	--	5,918
Construction work in progress	<u>1,976,232</u>	<u>987,865</u>	<u>--</u>	<u>(936,545)</u>	<u>2,027,552</u>
<b>Total capital assets not     depreciated</b>	<u>2,863,249</u>	<u>987,865</u>	<u>--</u>	<u>(898,612)</u>	<u>2,952,502</u>
<b>Capital assets depreciated</b>					
Buildings	827,911	--	--	--	827,911
Improvements	2,152,913	32,797	--	891,003	3,076,713
Equipment and vehicles	<u>213,124</u>	<u>3,247</u>	<u>(6,357)</u>	<u>7,609</u>	<u>217,623</u>
<b>Total capital assets depreciated</b>	<u>3,193,948</u>	<u>36,044</u>	<u>(6,357)</u>	<u>898,612</u>	<u>4,122,247</u>
<b>Less accumulated depreciation</b>					
Buildings	(442,144)	(20,529)	--	--	(462,673)
Improvements	(996,088)	(123,302)	--	2,593	(1,116,797)
Equipment and vehicles	<u>(159,123)</u>	<u>(7,823)</u>	<u>5,996</u>	<u>(2,593)</u>	<u>(163,543)</u>
<b>Total accumulated depreciation</b>	<u>(1,597,355)</u>	<u>(151,654)</u>	<u>5,996</u>	<u>--</u>	<u>(1,743,013)</u>
<b>Capital assets depreciated, net</b>	<u>1,596,593</u>	<u>(115,610)</u>	<u>(361)</u>	<u>898,612</u>	<u>2,379,234</u>
<b>Total capital assets</b>	<u>\$ 4,459,842</u>	<u>\$ 872,255</u>	<u>\$ (361)</u>	<u>\$ --</u>	<u>\$ 5,331,736</u>

## 5. Commercial Paper

As of June 30, 2013 and 2012, LAWA had outstanding commercial paper (CP) notes of \$68.1 million and \$162.2 million, respectively. The respective average interest rates in effect as of June 30, 2013 and 2012 were 0.15% and 0.17%. 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; Barclays Bank for \$54.5 million to expire on March 7, 2014; Citibank for \$109 million to expire on March 8, 2015; and Wells Fargo Bank for \$163.5 million to expire on March 6, 2015.



**Notes to the Financial Statements**  
**June 30, 2013 and 2012**  
(continued)



LAWA had the following CP activity for the fiscal years ended June 30, 2013 and 2012 (amounts in thousands):

	Balance			Balance			Balance
	July 1, 2011	Additions	Reductions	June 30, 2012	Additions	Reductions	June 30, 2013
Series A	\$ --	\$ --	\$ --	\$ --	\$ 32,512	\$ (32,512)	\$ --
Series B	115,012	47,199	(115,012)	47,199	50,000	(97,199)	--
Series C	--	47,199	(47,199)	--	95,541	(27,455)	68,086
Series D	--	115,000	--	115,000	--	(115,000)	--
Total	<u>\$ 115,012</u>	<u>\$ 209,398</u>	<u>\$ (162,211)</u>	<u>\$ 162,199</u>	<u>\$ 178,053</u>	<u>\$ (272,166)</u>	<u>\$ 68,086</u>

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 \$0.4 million, which is credited to operations.





## 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, 2013 and 2012 are as follows (amounts in thousands):

Bond issues	Issue date	Interest rate	Fiscal year of last scheduled maturity	Original principal	Outstanding principal	
					2013	2012
Issue of 2002, Series A	12/19/02	4.100% - 5.250%	2019	\$ 32,450	\$ --	\$ 32,450
Issue of 2003, Series B	5/07/03	4.000% - 5.000%	2015	103,625	--	31,775
Issue of 2006, Series A	10/18/06	4.500% - 5.000%	2026	83,720	62,290	65,520
Issue of 2006, Series B	10/18/06	5.400% - 5.590%	2026	6,435	4,805	5,050
Issue of 2008, Series A	8/06/08	3.750% - 5.500%	2038	602,075	540,770	551,545
Issue of 2008, Series B	8/06/08	3.000% - 5.000%	2015	7,875	2,665	3,905
Issue of 2008, Series C	8/06/08	3.000% - 5.250%	2038	243,350	222,440	227,080
Issue of 2009, Series A	12/03/09	2.000% - 5.250%	2039	310,410	297,520	303,260
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	15,535	22,755
Issue of 2009, Series E	12/03/09	2.000% - 5.000%	2020	39,750	27,955	31,325
Issue of 2010, Series A	4/08/10	3.000% - 5.000%	2040	930,155	930,155	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	867,545	871,735
Issue of 2012, Series A	12/18/12	3.000% - 5.000%	2029	105,610	105,610	--
Issue of 2012, Series B	12/18/12	2.000% - 5.000%	2037	145,630	144,555	--
Issue of 2012, Series C	12/18/12	3.000% - 5.000%	2019	27,870	27,870	--
Total principal amount				<u>\$ 4,047,965</u>	3,751,105	3,577,945
Unamortized premium					115,352	76,697
Unamortized discount					(8,053)	(8,377)
Unamortized refunding charges					<u>(2,795)</u>	<u>(3,394)</u>
Net revenue bonds					3,855,609	3,642,871
Less current debt					<u>(56,890)</u>	<u>(55,265)</u>
Net noncurrent debt					<u>\$ 3,798,719</u>	<u>\$ 3,587,606</u>





## **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, 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. For fiscal years 2013 and 2012, the Board authorized the use of PFCs funds not to exceed \$35 million and \$25.2 million for this purpose, respectively. Of the authorized amounts, \$34.4 million and \$25.2 million were used for debt service in fiscal years 2013 and 2012, respectively.

The total principal and interest remaining to be paid on the bonds is \$7 billion. Principal and interest paid during fiscal year 2013 and the net pledged revenues (as defined and including the \$34.4 million PFCs funds discussed in the preceding paragraph), were \$231.2 million and \$332.6 million, respectively. Principal and interest paid during fiscal year 2012 and the net pledged revenues, (as defined and including the \$25.2 million PFCs funds discussed in the preceding paragraph), were \$236.4 million and \$312.8 million, respectively.

## **c. Fiscal Year 2013 Issuances**

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 48). 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 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>
2014	\$ 56,890	\$ 193,640	\$ 250,530
2015	76,240	191,137	267,377
2016	81,495	187,742	269,237
2017	85,125	183,994	269,119
2018	88,960	180,027	268,987
2019 - 2023	504,055	829,836	1,333,891
2024 - 2028	626,955	686,210	1,313,165
2029 - 2033	784,895	506,291	1,291,186
2034 - 2038	996,500	278,753	1,275,253
2039 - 2040	449,990	35,158	485,148
Total	<u>\$ 3,751,105</u>	<u>\$ 3,272,788</u>	<u>\$ 7,023,893</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 year ending September 30, 2013 reduced the subsidy. The interest subsidy on the BABs was \$8 million for FY 2013 and \$8.3 million for FY 2012. The subsidy is recorded as a noncapital grant, a component of other nonoperating revenue.





## 7. Changes in Long-Term Liabilities

LAWA had the following long-term liabilities activities for the fiscal years ended June 30, 2013 and 2012 (amounts in thousands):

	Balance at July 1, 2012	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	(8,377)	--	324	(8,053)	--
Less unamortized refunding charges	(3,394)	--	599	(2,795)	--
Net revenue bonds	3,642,871	325,991	(113,253)	3,855,609	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	5,678	634	(2,521)	3,791	--
Total long-term liabilities	<u>\$ 3,787,457</u>	<u>\$ 348,754</u>	<u>\$ (127,641)</u>	<u>\$ 4,008,570</u>	<u>\$ 78,171</u>

	Balance at July 1, 2011	Additions	Reduction	Balance at June 30, 2012	Current Portion
Revenue bonds	\$ 3,626,245	\$ --	\$ (48,300)	\$ 3,577,945	\$ 55,265
Add unamortized premium	81,067	--	(4,370)	76,697	--
Less unamortized discount	(8,700)	--	323	(8,377)	--
Less unamortized refunding charges	(3,743)	--	349	(3,394)	--
Net revenue bonds	3,694,869	--	(51,998)	3,642,871	55,265
Accrued employee benefits	43,121	6,469	(8,561)	41,029	4,513
Estimated claims payable	52,526	22,764	(4,754)	70,536	6,421
Unearned revenue	971	4,165	(50)	5,086	4,215
Liability for environmental/ hazardous materials cleanup	12,783	--	--	12,783	--
Net pension obligation	10,013	--	(539)	9,474	--
Other long-term liabilities	5,115	563	--	5,678	--
Total long-term liabilities	<u>\$ 3,819,398</u>	<u>\$ 33,961</u>	<u>\$ (65,902)</u>	<u>\$ 3,787,457</u>	<u>\$ 70,414</u>





## 8. Leases

### a. Operating Leases

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, 2013 and 2012, revenues from such agreements were \$232.3 million and \$210.7 million, respectively. The respective amounts over MAG were \$62.4 million and \$54 million. Minimum future rents 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>
2014	\$ 152,316
2015	80,390
2016	19,512
2017	16,984
2018	<u>15,022</u>
Total	<u>\$ 284,224</u>

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), Terminal 2, and Theme Building 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 shall pay LAWA the minimum annual guaranteed rent (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 shall pay LAWA the minimum annual guaranteed rent (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):

Fiscal year ending	Amount
2014	\$ 9,024
2015	26,794
2016	35,894
2017	36,612
2018	37,344
Total	\$ 145,668

LAWA also leases land and terminal facilities to certain airlines and others. The terms of these long-term leases range from 35 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, 2013 and 2012, revenues from these leases were \$380.6 million and \$366.7 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 with no definitive expiry dates are carried over for the next five years, and (c) non-airline agreements 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>
2014	\$ 397,498
2015	390,163
2016	383,227
2017	370,967
2018	<u>354,328</u>
Total	<u>\$ 1,896,183</u>

The carrying cost and the related accumulated depreciation of property held for operating leases as of June 30, 2013 and 2012 are as follows (amounts in thousands):

	<u>2013</u>	<u>2012</u>
Buildings and facilities	\$ 1,845,187	\$ 1,748,987
Less- Accumulated depreciation	<u>(562,696)</u>	<u>(505,895)</u>
Net	1,282,491	1,243,092
Land	<u>686,363</u>	<u>619,246</u>
Total	<u>\$ 1,968,854</u>	<u>\$ 1,862,338</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, 2013 and 2012 were \$4.8 million and \$4.4 million, respectively. Future minimum lease payments under the agreements are as follows (amounts in thousands):

<u>Fiscal year(s) ending</u>	<u>Amount</u>
2014	\$ 1,972
2015	1,964
2016	1,909
2017	1,797
2018	1,797
2019 - 2023	8,984
2024 - 2028	8,984
2029 - 2032	<u>7,187</u>
Total	<u>\$ 34,594</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 storey 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 nonoperating 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. 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. For fiscal years 2013 and 2012, the Board authorized the use of PFCs funds not to exceed \$35 million and \$25.2 million, respectively. Of the authorized amounts, \$34.4 million and \$25.2 million were used for debt service in fiscal years 2013 and 2012, respectively.

The following project summary has been approved by FAA as of June 30, 2013 (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, 2013 and 2012 were as follows (amounts in thousands):

	<u>2013</u>	<u>2012</u>
Amount collected	\$ 1,839,620	\$ 1,711,834
Interest earnings	<u>221,199</u>	<u>209,454</u>
Total	<u>\$ 2,060,819</u>	<u>\$ 1,921,288</u>





As of June 30, 2013 and 2012, cumulative expenditures to date on approved PFCs projects totaled \$1.3 billion and \$1.2 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 nonoperating revenue and presented as restricted assets in the financial statements. CFCs collected and the related interest earnings through June 30, 2013 and 2012 were as follows (amounts in thousands):

	<u>2013</u>	<u>2012</u>
Amount collected	\$ 190,670	\$ 160,249
Interest earnings	<u>8,501</u>	<u>6,792</u>
Total	<u>\$ 199,171</u>	<u>\$ 167,041</u>

As of June 30, 2013 and 2012, cumulative expenditures to date on approved CFCs projects totaled \$47.6 million and \$43.9 million, respectively.

## 11. Capital Grant Contributions

Contributed capital related to government grants and other aid totaled \$18 million and \$62.4 million in fiscal years 2013 and 2012, respectively. Capital grant funds are used for the Airport Improvement Program and Transportation Security Administration capital projects.

## 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, 2013 and 2012 were \$85.3 million and \$82.1 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 2013 and 2012 were \$7.3 million and \$7 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. To effect payment, the installment payments will be offset against billings for actual cost of services provided by the City General Fund to LAWA. At June 30, 2013 and 2012, the respective outstanding principal amount of \$13.8 million and \$14.7 million payable beyond one year were reported under Other Noncurrent Assets while the balance of \$0.82 million and \$0.79 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. 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.





## **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 24.14% in fiscal year 2013, 27.66% in fiscal year 2012, and 24.49% in fiscal year 2011. The required contribution rates were based on the June 30, 2011, June 30, 2010 and June 30, 2009 actuarial valuations, respectively. LAWA paid 100% of its annual contributions of \$60.1 million, \$55.4 million, and \$55 million, for the fiscal years ended June 30, 2013, 2012, and 2011, respectively.

Effective July 1, 2011, 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. 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, 2013 and 2012 was \$9.5 million.

## **d. 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 billion for war and allied perils. Additional insurance coverage is carried for general all risk property insurance for \$2 billion, that includes \$250 million for boiler and machinery, and \$25 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 million with a \$250,000 deductible per occurrence. The OCIP is 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 2013, 2012, and 2011, 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 to be probable of occurring from these lawsuits. The liability for litigation and other claims at June 30, 2013 and 2012 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, 2013 and 2012 were \$61.9 million and \$58.8 million, respectively.

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

	June 30		
	2013	2012	2011
Balance at beginning of year	\$ 70,536	\$ 52,526	\$ 53,428
Provision for current year's events and changes in provision for prior years' events	9,529	22,764	4,891
Claims payments	<u>(6,421)</u>	<u>(4,754)</u>	<u>(5,793)</u>
Balance at end of year	<u>\$ 73,644</u>	<u>\$ 70,536</u>	<u>\$ 52,526</u>
Current portion	<u>\$ 6,933</u>	<u>\$ 6,421</u>	<u>\$ 4,754</u>

## 15. Commitments, Litigations, and Contingencies

### a. Commitments

Commitments for acquisition and construction of capital assets, and purchase of materials and supplies were \$144.6 million and \$125.6 million as of June 30, 2013 and 2012, respectively. Significant amounts were committed for the following projects: TBIT improvements, elevator and escalator system upgrade, central utility plant replacement, information technology network expansion, noise mitigation, runway and taxiway improvements, and in-line baggage screening projects.





## **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.

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 requires LAWA to initiate 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 May 30, 2013, the Alliance for a Regional Solution to Airport Congestion filed a petition for writ of mandate in the California Superior Court (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. Lawsuits on similar grounds have been filed by the City of Inglewood, Culver City, City of Ontario, County of San Bernardino, and the SEIU United Service Workers West. No hearing date has been set. The parties are currently engaged in settlement discussions.

## **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, 2013 and 2012 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 14 USTs (eight at LAX, four at VNY and two 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.

#### **e. Terminal Leases**

In January 2007, American Airlines, Continental Airlines, and United Airlines (the Plaintiffs) filed a complaint in Federal District Court alleging that LAWA has imposed new M&O charges in violation of their leases at LAX.

In January 2008, the Board approved interim settlement agreements with the Plaintiffs. Thereafter, a joint stipulation for dismissal of the entire action filed by the parties was granted by the Court without prejudice to renew. United Airlines and Continental Airlines have since settled their claims with LAWA relating to this matter.







The interim settlement with American Airlines (AA) was subsequently extended until December 31, 2010 and the action has not been reinstated. AA continued to pay M&O charges, based on the already expired interim settlement agreement, that is lower than LAWA's interpretation of the lease.

In November 2011, AA's parent company filed for Chapter 11 bankruptcy protection. Pursuant to bankruptcy laws, AA has a certain period of time to assume or reject the lease and must cure any defaults if it assumes the lease. AA has assumed the lease, but has put aside the "cure" issue for future court hearing. LAWA views the underpayment as a default under the lease. At this time AA and LAWA are negotiating the cure amount.

#### **f. AMR Corporation Bankruptcy Filing**

In November 2011, AMR Corporation, the parent company of AA, filed for Chapter 11 bankruptcy protection. AA is the top airline, by number of passengers, operating at LAX and ONT. Although AA's operations at the airports remain as usual, LAWA cannot predict the outcome of the bankruptcy filing.

#### **g. LA/ONT International Airport Local Control**

State lawmakers have introduced a bill in the California legislature that would transfer control of LA/Ontario International Airport (ONT) from the City of Los Angeles to a regional airport authority. While LAWA management has indicated its opposition, it cannot predict the outcome of the legislation.

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 include, 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. LAWA has responded to the complaint with a motion to strike and demurrer. 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 hiring freeze for civilian positions, implementing an early retirement incentive program, mandating unpaid days off for certain employees, consolidating City departments, leasing of City parking facilities, and eliminating and laying off General Fund positions.

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 Event**

### **Revenue Bonds Issuance**

On October 15, 2013, the Board authorized the issuance of the Series 2013 LAX revenue bonds in an aggregate par amount not to exceed \$350 million. The proceeds of the issuance will be used to provide ongoing funding for the Terminal 4 Connector, Bradley West Core Renovations, and various capital projects.





2013 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
**Supplemental Information**





## **Supplemental Information**

This page intentionally left blank.



# Los Angeles World Airports

(Department of Airports of the City of Los Angeles)



## Combining Schedule of Net Position June 30, 2013 (with June 30, 2012 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	\$ 607,976	\$ 79,210	\$ 4,133
Investments with fiscal agents	55	--	--
Accounts receivable, net of allowance for uncollectible accounts: 2013 - \$6,844; 2012 - \$8,726	32,459	338	2,192
Unbilled receivables	32,897	133	2
Accrued interest receivable	2,946	353	--
Grants receivable	14,477	45	5,350
Loans receivable	--	--	152
Receivable from City General Fund	816	--	--
Due from (to) other agencies	49,524	--	--
Prepaid expenses	117	--	--
Inventories	1,558	210	38
Total unrestricted current assets	<u>742,825</u>	<u>80,289</u>	<u>11,867</u>
Restricted current assets			
Cash and pooled investments held in City Treasury	1,010,119	64,537	--
Investments with fiscal agents, includes cash and cash equivalents: 2013 - \$561,035; 2012 - \$1,144,974	560,860	175	--
Accrued interest receivable	2,796	114	--
Passenger facility charges receivable	20,934	1,972	--
Customer facility charges receivable	2,761	371	--
Total restricted current assets	<u>1,597,470</u>	<u>67,169</u>	<u>--</u>
Total current assets	<u>2,340,295</u>	<u>147,458</u>	<u>11,867</u>
Noncurrent Assets			
Capital assets			
Not depreciated	3,734,331	28,943	22,775
Depreciated, net	<u>2,153,671</u>	<u>305,913</u>	<u>37,807</u>
Total capital assets	<u>5,888,002</u>	<u>334,856</u>	<u>60,582</u>
Other noncurrent assets			
Restricted investments with fiscal agents	--	6,843	--
Loans receivable, net of current portion	--	--	1,018
Receivable from City General Fund, net of current portion	13,841	--	--
Deferred bond issuance costs	<u>22,335</u>	<u>837</u>	<u>--</u>
Total other noncurrent assets	<u>36,176</u>	<u>7,680</u>	<u>1,018</u>
Total noncurrent assets	<u>5,924,178</u>	<u>342,536</u>	<u>61,600</u>
<b>TOTAL ASSETS</b>	<u>\$8,264,473</u>	<u>\$ 489,994</u>	<u>\$ 73,467</u>





	<u>Palmdale Property</u>	<u>Total 2013</u>	<u>Total 2012</u>
<b>ASSETS</b>			
Current Assets			
Unrestricted current assets			
Cash and pooled investments held in City Treasury	\$ 2	\$ 691,321	\$ 716,675
Investments with fiscal agents	--	55	61,764
Accounts receivable, net of allowance for uncollectible accounts: 2013 - \$6,844; 2012 - \$8,726	197	35,186	27,685
Unbilled receivables	--	33,032	30,073
Accrued interest receivable	--	3,299	3,816
Grants receivable	--	19,872	24,011
Loans receivable	--	152	141
Receivable from City General Fund	--	816	793
Due from (to) other agencies	(49,524)	--	--
Prepaid expenses	--	117	3,106
Inventories	--	1,806	1,961
Total unrestricted current assets	<u>(49,325)</u>	<u>785,656</u>	<u>870,025</u>
Restricted current assets			
Cash and pooled investments held in City Treasury	--	1,074,656	1,090,767
Investments with fiscal agents, includes cash and cash equivalents: 2013 - \$561,035; 2012 - \$1,144,974	--	561,035	1,199,711
Accrued interest receivable	--	2,910	3,015
Passenger facility charges receivable	--	22,906	22,352
Customer facility charges receivable	--	3,132	2,657
Total restricted current assets	<u>--</u>	<u>1,664,639</u>	<u>2,318,502</u>
Total current assets	<u>(49,325)</u>	<u>2,450,295</u>	<u>3,188,527</u>
Noncurrent Assets			
Capital assets			
Not depreciated	92,183	3,878,232	2,952,502
Depreciated, net	<u>10,235</u>	<u>2,507,626</u>	<u>2,379,234</u>
Total capital assets	<u>102,418</u>	<u>6,385,858</u>	<u>5,331,736</u>
Other noncurrent assets			
Restricted investments with fiscal agents	--	6,843	6,843
Loans receivable, net of current portion	--	1,018	1,170
Receivable from City General Fund, net of current portion	--	13,841	14,657
Deferred bond issuance costs	--	23,172	22,767
Total other noncurrent assets	<u>--</u>	<u>44,874</u>	<u>45,437</u>
Total noncurrent assets	<u>102,418</u>	<u>6,430,732</u>	<u>5,377,173</u>
<b>TOTAL ASSETS</b>	<u>\$ 53,093</u>	<u>\$ 8,881,027</u>	<u>\$ 8,565,700</u>



**Combining Schedule of Net Position (continued)**  
**June 30, 2013**  
**(with June 30, 2012 comparative total)**  
**(amounts in thousands)**



	<b>Los Angeles International Airport</b>	<b>LA/Ontario International Airport</b>	<b>Van Nuys Airport</b>
<b>LIABILITIES</b>			
Current Liabilities			
Current liabilities payable from unrestricted assets			
Contracts and accounts payable	\$ 149,141	\$ 5,871	\$ 5,218
Accrued salaries	9,979	793	186
Accrued employee benefits	4,295	424	93
Estimated claims payable	6,264	548	121
Commercial paper	68,086	--	--
Unearned revenue	9,536	--	--
Obligations under securities lending transactions	2,350	284	--
Other current liabilities	9,470	1,008	220
Total current liabilities payable from unrestricted assets	<u>259,121</u>	<u>8,928</u>	<u>5,838</u>
Current liabilities payable from restricted assets			
Contracts and accounts payable	3,903	18	--
Current maturities of bonded debt	53,220	3,670	--
Accrued interest payable	23,791	422	--
Obligations under securities lending transactions	4,420	248	--
Other current liabilities	11,774	659	--
Total current liabilities payable from restricted assets	<u>97,108</u>	<u>5,017</u>	<u>--</u>
Total current liabilities	<u>356,229</u>	<u>13,945</u>	<u>5,838</u>
Noncurrent Liabilities			
Bonded debt, net of current portion	3,734,786	63,933	--
Accrued employee benefits, net of current portion	34,748	3,433	752
Estimated claims payable, net of current portion	61,401	4,347	963
Unearned revenue, net of current portion	--	--	--
Liability for environmental/hazardous materials cleanup	12,783	--	--
Net pension obligation	9,462	--	--
Other long-term liabilities	3,791	--	--
Total noncurrent liabilities	<u>3,856,971</u>	<u>71,713</u>	<u>1,715</u>
<b>TOTAL LIABILITIES</b>	<u>4,213,200</u>	<u>85,658</u>	<u>7,553</u>
<b>NET POSITION</b>			
Net investment in capital assets	2,283,641	268,091	60,582
Restricted for:			
Debt service	307,374	8,875	--
Passenger facility charges funded projects	703,292	35,926	--
Customer facility charges funded projects	152,191	2,873	--
Other capital projects	--	8,876	--
Operations and maintenance reserve	157,210	15,891	--
Other purposes	894	223	--
Unrestricted	<u>446,671</u>	<u>63,581</u>	<u>5,332</u>
<b>TOTAL NET POSITION</b>	<u>\$4,051,273</u>	<u>\$ 404,336</u>	<u>\$ 65,914</u>







	<u>Palmdale Property</u>	<u>Total 2013</u>	<u>Total 2012</u>
<b>LIABILITIES</b>			
Current Liabilities			
Current liabilities payable from unrestricted assets			
Contracts and accounts payable	\$ 956	\$ 161,186	\$ 161,804
Accrued salaries	--	10,958	10,244
Accrued employee benefits	--	4,812	4,513
Estimated claims payable	--	6,933	6,421
Commercial paper	--	68,086	162,199
Unearned revenue	--	9,536	4,215
Obligations under securities lending transactions	--	2,634	--
Other current liabilities	<u>16</u>	<u>10,714</u>	<u>32,897</u>
Total current liabilities payable from unrestricted assets	<u>972</u>	<u>274,859</u>	<u>382,293</u>
Current liabilities payable from restricted assets			
Contracts and accounts payable	--	3,921	2,312
Current maturities of bonded debt	--	56,890	55,265
Accrued interest payable	--	24,213	23,316
Obligations under securities lending transactions	--	4,668	--
Other current liabilities	--	<u>12,433</u>	<u>29,589</u>
Total current liabilities payable from restricted assets	<u>--</u>	<u>102,125</u>	<u>110,482</u>
Total current liabilities	<u>972</u>	<u>376,984</u>	<u>492,775</u>
Noncurrent Liabilities			
Bonded debt, net of current portion	--	3,798,719	3,587,606
Accrued employee benefits, net of current portion	--	38,933	36,516
Estimated claims payable, net of current portion	--	66,711	64,115
Unearned revenue, net of current portion	--	--	871
Liability for environmental/hazardous materials cleanup	--	12,783	12,783
Net pension obligation	--	9,462	9,474
Other long-term liabilities	--	<u>3,791</u>	<u>5,678</u>
Total noncurrent liabilities	<u>--</u>	<u>3,930,399</u>	<u>3,717,043</u>
<b>TOTAL LIABILITIES</b>	<u>972</u>	<u>4,307,383</u>	<u>4,209,818</u>
<b>NET POSITION</b>			
Net investment in capital assets	102,418	2,714,732	2,407,904
Restricted for:			
Debt service	--	316,249	388,458
Passenger facility charges funded projects	--	739,218	766,761
Customer facility charges funded projects	--	155,064	127,802
Other capital projects	--	8,876	8,552
Operations and maintenance reserve	--	173,101	175,543
Other purposes	--	1,117	1,141
Unrestricted	<u>(50,297)</u>	<u>465,287</u>	<u>479,721</u>
<b>TOTAL NET POSITION</b>	<u>\$ 52,121</u>	<u>\$ 4,573,644</u>	<u>\$ 4,355,882</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, 2013 (with for the fiscal year ended June 30, 2012 comparative total) (amounts in thousands)

	<u>Los Angeles International Airport</u>	<u>LA/Ontario International Airport</u>	<u>Van Nuys Airport</u>	<u>Palmdale Property</u>
<b>OPERATING REVENUE</b>				
Aviation revenue				
Landing fees	\$ 216,359	\$ 11,304	\$ 20	\$ --
Building rentals	257,251	23,287	3,657	1,678
Land rentals	81,010	3,590	10,728	435
Other aviation revenue	<u>3,924</u>	<u>503</u>	<u>1,909</u>	<u>--</u>
Total aviation revenue	558,544	38,684	16,314	2,113
Concession revenue	304,139	24,497	--	--
Other operating revenue	<u>2,790</u>	<u>668</u>	<u>113</u>	<u>--</u>
Total operating revenue	<u>865,473</u>	<u>63,849</u>	<u>16,427</u>	<u>2,113</u>
<b>OPERATING EXPENSES</b>				
Salaries and benefits	338,004	28,128	5,572	4
Contractual services	162,661	16,115	3,852	1,511
Materials and supplies	47,908	3,556	693	1
Utilities	32,472	4,087	274	256
Other operating expenses	18,383	1,233	503	889
Allocated administrative charges	<u>(9,998)</u>	<u>7,907</u>	<u>1,692</u>	<u>399</u>
Total operating expenses before depreciation and amortization	<u>589,430</u>	<u>61,026</u>	<u>12,586</u>	<u>3,060</u>
Operating income (loss) before depreciation and amortization	276,043	2,823	3,841	(947)
Depreciation and amortization	<u>134,500</u>	<u>20,523</u>	<u>3,323</u>	<u>1,373</u>
<b>OPERATING INCOME (LOSS)</b>	<u>141,543</u>	<u>(17,700)</u>	<u>518</u>	<u>(2,320)</u>
<b>NONOPERATING REVENUE (EXPENSES)</b>				
Passenger facility charges	124,610	5,902	--	--
Customer facility charges	27,295	3,601	--	--
Interest income	25,231	2,363	155	--
Net change in fair value of investments	(22,793)	(1,971)	--	--
Interest expense	(93,610)	(3,479)	--	--
Other nonoperating revenue	11,487	31	--	--
Other nonoperating expenses	<u>(1,008)</u>	<u>(65)</u>	<u>--</u>	<u>--</u>
Total nonoperating revenue, net	<u>71,212</u>	<u>6,382</u>	<u>155</u>	<u>--</u>
<b>INCOME (LOSS) BEFORE CAPITAL GRANTS AND INTER-AGENCY TRANSFERS</b>	212,755	(11,318)	673	(2,320)
Federal and other government grants	12,264	--	5,708	--
Inter-agency transfers	<u>(2,126)</u>	<u>--</u>	<u>2,126</u>	<u>--</u>
<b>CHANGE IN NET POSITION</b>	222,893	(11,318)	8,507	(2,320)
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>3,828,380</u>	<u>415,654</u>	<u>57,407</u>	<u>54,441</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$4,051,273</u>	<u>\$ 404,336</u>	<u>\$ 65,914</u>	<u>\$ 52,121</u>





	<u>Total before eliminations</u>	<u>Elimin- ations</u>	<u>Total 2013</u>	<u>Total 2012</u>
<b>OPERATING REVENUE</b>				
Aviation revenue				
Landing fees	\$ 227,683	\$ --	\$ 227,683	\$ 218,224
Building rentals	285,873	--	285,873	274,183
Land rentals	95,763	(1,069)	94,694	92,529
Other aviation revenue	6,336	--	6,336	8,456
Total aviation revenue	615,655	(1,069)	614,586	593,392
Concession revenue	328,636	--	328,636	304,670
Other operating revenue	3,571	--	3,571	4,095
Total operating revenue	947,862	(1,069)	946,793	902,157
<b>OPERATING EXPENSES</b>				
Salaries and benefits	371,708	--	371,708	376,042
Contractual services	184,139	--	184,139	182,487
Materials and supplies	52,158	--	52,158	39,881
Utilities	37,089	--	37,089	35,048
Other operating expenses	21,008	(1,069)	19,939	24,258
Allocated administrative charges	--	--	--	--
Total operating expenses before depreciation and amortization	666,102	(1,069)	665,033	657,716
Operating income (loss) before depreciation and amortization	281,760	--	281,760	244,441
Depreciation and amortization	159,719	--	159,719	151,654
<b>OPERATING INCOME (LOSS)</b>	<u>122,041</u>	<u>--</u>	<u>122,041</u>	<u>92,787</u>
<b>NONOPERATING REVENUE (EXPENSES)</b>				
Passenger facility charges	130,512	--	130,512	130,769
Customer facility charges	30,896	--	30,896	29,643
Interest income	27,749	--	27,749	30,280
Net change in fair value of investments	(24,764)	--	(24,764)	5,734
Interest expense	(97,089)	--	(97,089)	(86,700)
Other nonoperating revenue	11,518	--	11,518	15,848
Other nonoperating expenses	(1,073)	--	(1,073)	(1,310)
Total nonoperating revenue, net	77,749	--	77,749	124,264
<b>INCOME (LOSS) BEFORE CAPITAL GRANTS AND INTER-AGENCY TRANSFERS</b>				
	199,790	--	199,790	217,051
Federal and other government grants	17,972	--	17,972	62,441
Inter-agency transfers	--	--	--	--
<b>CHANGE IN NET POSITION</b>	217,762	--	217,762	279,492
<b>NET POSITION, BEGINNING OF YEAR</b>	4,355,882	--	4,355,882	4,076,390
<b>NET POSITION, END OF YEAR</b>	<u>\$4,573,644</u>	<u>\$ --</u>	<u>\$4,573,644</u>	<u>\$4,355,882</u>



This page intentionally left blank.





2013 COMPREHENSIVE ANNUAL FINANCIAL REPORT

# Statistical Section





## **Statistical Section:**

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.



**Statistical Section (Unaudited)**  
**Fiscal Year Ended June 30, 2013**

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 74
- Operating Revenue..... page 78
- Operating Expenses Per Enplaned Passenger..... page 82
- Changes in Net Position..... page 76
- Gross Concession Revenue Per Enplaned Passenger..... page 80
- Landing Fee Rates.....page 84

**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 86
- Revenue Bonds Debt Service Coverage..... page 88

**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 90
- Employee Trend.....page 98
- Enplaned Passengers Data..... page 94
- Schedule of Capital Assets..... page 100

**Demographic and Economic Data**

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

- Estimated Population.....page 102
- Personal Income Per Capita..... page 104
- Principal Employers.....page 106
- Personal Income.....page 103
- Unemployment Rate.....page 105



# 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>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>Assets</b>					
Current assets - unrestricted	\$ 785,656	\$ 870,025	\$ 973,345	\$ 770,751	\$ 676,544
Current assets - restricted	1,664,639	2,318,502	2,807,009	1,715,836	1,064,230
Noncurrent assets					
Capital assets, net	6,385,858	5,331,736	4,459,842	3,966,292	3,261,207
Other noncurrent assets	44,874	45,437	102,166	489,445	8,098
<b>Total assets</b>	<u>8,881,027</u>	<u>8,565,700</u>	<u>8,342,362</u>	<u>6,942,324</u>	<u>5,010,079</u>
<b>Liabilities</b>					
Current liabilities - payable from unrestricted assets	274,859	382,293	338,685	359,225	220,164
Current liabilities - payable from restricted assets	102,125	110,482	169,554	89,256	110,483
Noncurrent liabilities	3,930,399	3,717,043	3,757,733	2,711,343	1,180,396
<b>Total liabilities</b>	<u>4,307,383</u>	<u>4,209,818</u>	<u>4,265,972</u>	<u>3,159,824</u>	<u>1,511,043</u>
<b>Net Position</b>					
Net investment in capital assets	2,714,732	2,407,904	2,061,683	2,013,081	2,084,626
Restricted for:					
Debt service	316,249	388,458	486,955	345,116	115,601
PFCs funded projects	739,218	766,761	699,754	695,184	574,620
CFCs funded projects	155,064	127,802	105,651	76,490	52,666
Central utility plant	--	--	13,709	13,709	39,721
Other capital projects	8,876	8,552	6,000	10,584	10,568
O&M reserve	173,101	175,543	155,200	155,200	155,200
Other purposes	1,117	1,141	779	5,965	34,268
Unrestricted	465,287	479,721	546,659	467,171	431,766
<b>Total net position</b>	<u>\$ 4,573,644</u>	<u>\$ 4,355,882</u>	<u>\$ 4,076,390</u>	<u>\$ 3,782,500</u>	<u>\$ 3,499,036</u>







	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>Assets</b>					
Current assets - unrestricted	\$ 601,602	\$ 651,841	\$ 652,481	\$ 752,144	\$ 704,845
Current assets - restricted	962,547	857,575	685,132	552,580	573,595
Noncurrent assets					
Capital assets, net	2,830,640	2,381,724	2,034,536	1,912,508	1,791,753
Other noncurrent assets	<u>3,351</u>	<u>3,732</u>	<u>3,947</u>	<u>4,371</u>	<u>4,731</u>
<b>Total assets</b>	<u>4,398,140</u>	<u>3,894,872</u>	<u>3,376,096</u>	<u>3,221,603</u>	<u>3,074,924</u>
<b>Liabilities</b>					
Current liabilities - payable from unrestricted assets	531,194	352,029	176,846	186,526	160,335
Current liabilities - payable from restricted assets	142,473	173,868	133,350	133,656	124,695
Noncurrent liabilities	<u>493,931</u>	<u>491,529</u>	<u>431,998</u>	<u>440,411</u>	<u>467,734</u>
<b>Total liabilities</b>	<u>1,167,598</u>	<u>1,017,426</u>	<u>742,194</u>	<u>760,593</u>	<u>752,764</u>
<b>Net Position</b>					
Net investment in capital assets	2,157,223	1,996,389	1,641,095	1,478,500	1,331,560
Restricted for:					
Debt service	35,523	35,213	37,412	38,073	41,207
PFCs funded projects	506,505	410,594	352,861	224,752	273,323
CFCs funded projects	30,927	1,997	1,291	528	297
Central utility plant	--	--	--	--	--
Other capital projects	10,367	5,952	21,670	21,740	21,427
O&M reserve	156,407	153,379	151,147	154,432	133,531
Other purposes	1,301	252	282	284	250
Unrestricted	<u>332,289</u>	<u>273,670</u>	<u>428,144</u>	<u>543,001</u>	<u>520,565</u>
<b>Total net position</b>	<u>\$ 3,230,542</u>	<u>\$ 2,877,446</u>	<u>\$ 2,633,902</u>	<u>\$ 2,461,310</u>	<u>\$ 2,322,160</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)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>Operating revenue</b>					
Aviation revenue					
Landing fees	\$ 227,683	\$ 218,224	\$ 203,424	\$ 185,911	\$ 185,553
Building rentals	285,873	274,183	249,267	224,228	220,731
Land rentals	94,694	92,529	99,624	65,454	59,536
Other aviation revenue	6,336	8,456	4,033	4,078	4,648
Concession revenue	328,636	304,670	290,494	264,730	273,669
Other operating revenue	3,571	4,095	4,324	3,408	5,234
Total operating revenue	<u>946,793</u>	<u>902,157</u>	<u>851,166</u>	<u>747,809</u>	<u>749,371</u>
<b>Nonoperating revenue</b>					
Passenger facility charges	130,512	130,769	128,084	121,519	113,852
Customer facility charges	30,896	29,643	27,821	25,638	26,145
Investment income	2,985	36,014	31,801	47,898	60,094
Other nonoperating revenue	11,518	15,848	13,918	25,158	10,999
Total nonoperating revenue	<u>175,911</u>	<u>212,274</u>	<u>201,624</u>	<u>220,213</u>	<u>211,090</u>
<b>Total revenue</b>	<u>1,122,704</u>	<u>1,114,431</u>	<u>1,052,790</u>	<u>968,022</u>	<u>960,461</u>
<b>Operating expenses</b>					
Salaries and benefits	371,708	376,042	359,700	360,033	348,504
Contractual services	184,139	182,487	161,784	161,751	169,474
Materials and supplies	52,158	39,881	37,343	37,283	45,173
Utilities	37,089	35,048	34,392	33,668	34,348
Depreciation and amortization	159,719	151,654	130,805	108,221	108,887
Other operating expenses	19,939	24,258	23,704	24,221	23,622
Total operating expenses	<u>824,752</u>	<u>809,370</u>	<u>747,728</u>	<u>725,177</u>	<u>730,008</u>
<b>Nonoperating expenses</b>					
Interest expense	97,089	86,700	82,501	39,349	24,541
Other nonoperating expenses	1,073	1,310	3,842	987	27,487
Total nonoperating expenses	<u>98,162</u>	<u>88,010</u>	<u>86,343</u>	<u>40,336</u>	<u>52,028</u>
<b>Total expenses</b>	<u>922,914</u>	<u>897,380</u>	<u>834,071</u>	<u>765,513</u>	<u>782,036</u>
<b>Income before capital grants</b>	199,790	217,051	218,719	202,509	178,425
Federal and other grants	17,972	62,441	75,171	80,955	90,069
<b>Changes in net position</b>	217,762	279,492	293,890	283,464	268,494
<b>Net position, beginning of year</b>	<u>4,355,882</u>	<u>4,076,390</u>	<u>3,782,500</u>	<u>3,499,036</u>	<u>3,230,542</u>
<b>Net position, end of year</b>	<u>\$ 4,573,644</u>	<u>\$ 4,355,882</u>	<u>\$ 4,076,390</u>	<u>\$ 3,782,500</u>	<u>\$ 3,499,036</u>





	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>Operating revenue</b>					
Aviation revenue					
Landing fees	\$ 193,805	\$ 172,495	\$ 162,037	\$ 147,990	\$ 149,176
Building rentals	184,151	144,082	149,782	134,852	124,878
Land rentals	61,992	57,810	58,324	54,813	51,767
Other aviation revenue	8,007	5,909	3,767	3,291	4,890
Concession revenue	286,296	260,275	235,049	224,034	197,669
Other operating revenue	<u>5,373</u>	<u>5,783</u>	<u>4,382</u>	<u>3,905</u>	<u>5,408</u>
Total operating revenue	<u>739,624</u>	<u>646,354</u>	<u>613,341</u>	<u>568,885</u>	<u>533,788</u>
<b>Nonoperating revenue</b>					
Passenger facility charges	129,125	125,515	124,223	122,283	116,013
Customer facility charges	29,820	4,837	4,887	4,333	4,043
Investment income	78,827	59,695	21,520	33,594	16,534
Other nonoperating revenue	<u>6,391</u>	<u>9,908</u>	<u>3,689</u>	<u>7,440</u>	<u>8,685</u>
Total nonoperating revenue	<u>244,163</u>	<u>199,955</u>	<u>154,319</u>	<u>167,650</u>	<u>145,275</u>
<b>Total revenue</b>	<u>983,787</u>	<u>846,309</u>	<u>767,660</u>	<u>736,535</u>	<u>679,063</u>
<b>Operating expenses</b>					
Salaries and benefits	344,322	303,678	275,031	237,588	212,243
Contractual services	173,994	162,826	172,510	156,576	142,736
Materials and supplies	45,502	50,464	41,261	45,967	43,127
Utilities	33,608	25,524	28,282	29,023	24,173
Depreciation and amortization	105,762	92,230	83,945	76,189	75,973
Other operating expenses	<u>29,647</u>	<u>28,595</u>	<u>30,445</u>	<u>29,903</u>	<u>37,368</u>
Total operating expenses	<u>732,835</u>	<u>663,317</u>	<u>631,474</u>	<u>575,246</u>	<u>535,620</u>
<b>Nonoperating expenses</b>					
Interest expense	22,474	20,922	18,861	23,847	25,965
Other nonoperating expenses	<u>674</u>	<u>614</u>	<u>7,023</u>	<u>390</u>	<u>2,546</u>
Total nonoperating expenses	<u>23,148</u>	<u>21,536</u>	<u>25,884</u>	<u>24,237</u>	<u>28,511</u>
<b>Total expenses</b>	<u>755,983</u>	<u>684,853</u>	<u>657,358</u>	<u>599,483</u>	<u>564,131</u>
<b>Income before capital grants</b>	227,804	161,456	110,302	137,052	114,932
Federal and other grants	<u>125,292</u>	<u>82,088</u>	<u>62,590</u>	<u>1,798</u>	<u>7,593</u>
<b>Changes in net position</b>	353,096	243,544	172,892	138,850	122,525
<b>Net position, beginning of year</b>	<u>2,877,446</u>	<u>2,633,902</u>	<u>2,461,010</u>	<u>2,322,160</u>	<u>2,199,635</u>
<b>Net position, end of year</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>

Certain prior years' data was reclassified to conform to the fiscal year 2013 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)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>Landing fees</b>					
Permitted/signatory	\$ 227,132	\$ 217,403	\$ 202,899	\$ 184,703	\$ 183,432
Non-permitted/non-signatory	551	821	525	1,208	2,121
Total landing fees	<u>227,683</u>	<u>218,224</u>	<u>203,424</u>	<u>185,911</u>	<u>185,553</u>
<b>Building rentals</b>					
Terminals	229,023	216,366	193,566	185,372	183,947
Other buildings	56,850	57,817	55,701	38,856	36,784
Total building rentals	<u>285,873</u>	<u>274,183</u>	<u>249,267</u>	<u>224,228</u>	<u>220,731</u>
<b>Land rentals</b>	<u>94,694</u>	<u>92,529</u>	<u>99,624</u>	<u>65,454</u>	<u>59,536</u>
<b>Other aviation revenue</b>					
Plane parking	875	967	724	821	871
Fuel fee	2,200	2,142	2,230	1,954	990
Other	3,261	5,347	1,079	1,303	2,787
Total other aviation revenue	<u>6,336</u>	<u>8,456</u>	<u>4,033</u>	<u>4,078</u>	<u>4,648</u>
<b>Concession revenue</b>					
Duty free	50,409	45,434	36,743	26,338	30,502
Food and beverage	37,777	34,217	37,784	32,288	33,102
Gifts and news	23,019	18,411	19,214	17,826	18,391
Foreign exchange	6,356	6,572	6,533	6,381	6,613
Telecommunications	761	1,109	1,920	1,824	2,759
Advertising	20,936	18,763	18,938	15,083	14,764
Luggage carts	2,690	2,792	2,780	2,748	2,703
Automated teller machines	3,620	3,400	3,400	3,400	3,400
Subtotal- In-terminal	<u>145,568</u>	<u>130,698</u>	<u>127,312</u>	<u>105,888</u>	<u>112,234</u>
Auto parking	87,398	84,270	81,822	80,567	84,180
Rent-a-car	77,303	70,982	65,500	63,823	64,929
Bus, limousine, and taxi	9,390	8,969	6,940	6,211	6,327
Flyaway bus service	8,977	9,751	8,920	8,241	5,999
Subtotal- Off-terminal	<u>183,068</u>	<u>173,972</u>	<u>163,182</u>	<u>158,842</u>	<u>161,435</u>
Total concession revenue	<u>328,636</u>	<u>304,670</u>	<u>290,494</u>	<u>264,730</u>	<u>273,669</u>
<b>Other operating revenue</b>					
Sales and service	1,216	2,573	2,442	2,095	2,541
Miscellaneous	2,355	1,522	1,882	1,313	2,693
Total other operating revenue	<u>3,571</u>	<u>4,095</u>	<u>4,324</u>	<u>3,408</u>	<u>5,234</u>
<b>Total operating revenue</b>	<u>\$ 946,793</u>	<u>\$ 902,157</u>	<u>\$ 851,166</u>	<u>\$ 747,809</u>	<u>\$ 749,371</u>





	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>Landing fees</b>					
Permitted/signatory	\$ 187,587	\$ 171,673	\$ 160,995	\$ 147,033	\$ 147,844
Non-permitted/non-signatory	6,218	822	1,042	957	1,332
Total landing fees	<u>193,805</u>	<u>172,495</u>	<u>162,037</u>	<u>147,990</u>	<u>149,176</u>
<b>Building rentals</b>					
Terminals	147,398	105,586	111,112	101,097	90,987
Other buildings	36,753	38,496	38,670	33,755	33,891
Total building rentals	<u>184,151</u>	<u>144,082</u>	<u>149,782</u>	<u>134,852</u>	<u>124,878</u>
<b>Land rentals</b>	<u>61,992</u>	<u>57,810</u>	<u>58,324</u>	<u>54,813</u>	<u>51,767</u>
<b>Other aviation revenue</b>					
Plane parking	1,108	1,346	1,082	946	1,382
Fuel fee	2,144	1,237	1,163	1,146	1,090
Other	4,755	3,326	1,522	1,199	2,418
Total other aviation revenue	<u>8,007</u>	<u>5,909</u>	<u>3,767</u>	<u>3,291</u>	<u>4,890</u>
<b>Concession revenue</b>					
Duty free	35,380	32,037	28,465	31,129	19,682
Food and beverage	31,356	29,941	24,135	22,482	19,494
Gifts and news	19,047	17,918	18,417	17,254	18,210
Foreign exchange	6,937	6,784	6,566	6,370	6,683
Telecommunications	2,133	1,957	713	709	859
Advertising	15,359	4,585	--	--	--
Luggage carts	2,766	2,785	3,478	3,621	3,643
Automated teller machines	2,643	1,939	1,930	1,868	1,824
Subtotal- In-terminal	<u>115,621</u>	<u>97,946</u>	<u>83,704</u>	<u>83,433</u>	<u>70,395</u>
Auto parking	94,619	92,917	89,036	85,830	76,565
Rent-a-car	64,717	59,854	54,360	47,583	43,688
Bus, limousine, and taxi	6,601	6,367	5,412	5,029	5,035
Flyaway bus service	4,738	3,191	2,537	2,159	1,986
Subtotal- Off-terminal	<u>170,675</u>	<u>162,329</u>	<u>151,345</u>	<u>140,601</u>	<u>127,274</u>
Total concession revenue	<u>286,296</u>	<u>260,275</u>	<u>235,049</u>	<u>224,034</u>	<u>197,669</u>
<b>Other operating revenue</b>					
Sales and service	2,911	3,306	2,463	2,436	1,732
Miscellaneous	2,462	2,477	1,919	1,469	3,676
Total other operating revenue	<u>5,373</u>	<u>5,783</u>	<u>4,382</u>	<u>3,905</u>	<u>5,408</u>
<b>Total operating revenue</b>	<u>\$ 739,624</u>	<u>\$ 646,354</u>	<u>\$ 613,341</u>	<u>\$ 568,885</u>	<u>\$ 533,788</u>

Certain prior years' data was reclassified to conform to the fiscal year 2013 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>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>Los Angeles International Airport</b>					
In-terminal					
Duty free	\$ 50,409	\$ 45,434	\$ 36,743	\$ 26,338	\$ 30,502
Food and beverage	36,505	32,956	36,579	31,109	31,804
Gifts and news	21,912	17,282	17,998	16,713	17,106
Foreign exchange	6,356	6,572	6,533	6,381	6,613
Telecommunications	732	976	1,714	1,629	2,475
Advertising	19,875	17,433	17,419	13,676	13,086
Luggage carts	2,580	2,682	2,680	2,638	2,593
Automated teller machines	3,303	2,856	2,856	2,856	2,856
Off-terminal					
Auto parking	73,932	69,945	66,575	64,661	67,289
Rent-a-car	70,517	64,361	58,647	56,752	56,891
Bus, limousine, and taxi	9,041	8,519	6,531	5,917	5,882
Flyaway bus service	8,977	9,751	8,920	8,241	5,999
Total gross concession revenue	<u>304,139</u>	<u>278,767</u>	<u>263,195</u>	<u>236,911</u>	<u>243,096</u>
Total enplaned passengers	32,524	31,519	30,281	29,003	28,329
Gross concession revenue per enplaned passenger	<u>\$ 9.35</u>	<u>\$ 8.84</u>	<u>\$ 8.69</u>	<u>\$ 8.17</u>	<u>\$ 8.58</u>
<b>LA/Ontario International Airport</b>					
In-terminal					
Food and beverage	\$ 1,272	\$ 1,261	\$ 1,205	\$ 1,179	\$ 1,297
Gifts and news	1,107	1,129	1,215	1,113	1,285
Telecommunications	29	131	197	185	266
Advertising	1,061	1,330	1,519	1,407	1,678
Luggage carts	110	110	101	110	110
Automated teller machines	317	544	544	544	544
Off-terminal					
Auto parking	13,466	14,325	15,246	15,906	16,890
Rent-a-car	6,786	6,621	6,853	7,071	8,038
Bus, limousine, and taxi	349	450	410	294	445
Total gross concession revenue	<u>24,497</u>	<u>25,901</u>	<u>27,290</u>	<u>27,809</u>	<u>30,553</u>
Total enplaned passengers	2,076	2,209	2,367	2,417	2,631
Gross concession revenue per enplaned passenger	<u>\$ 11.80</u>	<u>\$ 11.73</u>	<u>\$ 11.53</u>	<u>\$ 11.51</u>	<u>\$ 11.61</u>





	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>Los Angeles International Airport</b>					
In-terminal					
Duty free	\$ 35,380	\$ 32,037	\$ 28,465	\$ 31,129	\$ 19,682
Food and beverage	30,080	28,731	22,890	21,383	18,372
Gifts and news	17,598	16,559	16,460	16,484	17,509
Foreign exchange	6,937	6,784	6,533	6,338	6,683
Telecommunications	1,953	1,766	659	680	815
Advertising	13,768	4,300	--	--	--
Luggage carts	2,654	2,669	3,343	3,476	3,497
Automated teller machines	2,203	1,610	1,582	1,528	1,471
Off-terminal					
Auto parking	74,004	72,917	67,790	66,348	60,001
Rent-a-car	55,336	50,761	45,564	40,647	37,433
Bus, limousine, and taxi	6,044	5,852	4,741	4,352	4,630
Flyaway bus service	4,738	3,191	2,537	2,159	1,986
Total gross concession revenue	<u>250,695</u>	<u>227,177</u>	<u>200,564</u>	<u>194,524</u>	<u>172,079</u>
Total enplaned passengers	31,142	30,803	30,655	30,548	29,080
Gross concession revenue per enplaned passenger	<u>\$ 8.05</u>	<u>\$ 7.38</u>	<u>\$ 6.54</u>	<u>\$ 6.37</u>	<u>\$ 5.92</u>
<b>LA/Ontario International Airport</b>					
In-terminal					
Food and beverage	\$ 1,275	\$ 1,210	\$ 1,239	\$ 1,090	\$ 1,107
Gifts and news	1,449	1,359	1,957	770	701
Telecommunications	179	188	48	28	44
Advertising	1,591	285	--	--	--
Luggage carts	112	116	135	145	146
Automated teller machines	440	329	316	306	294
Off-terminal					
Auto parking	20,612	19,997	19,679	18,339	15,631
Rent-a-car	9,381	9,093	8,796	6,936	6,255
Bus, limousine, and taxi	557	515	671	677	405
Total gross concession revenue	<u>35,596</u>	<u>33,092</u>	<u>32,841</u>	<u>28,291</u>	<u>24,583</u>
Total enplaned passengers	3,549	3,533	3,605	3,517	3,384
Gross concession revenue per enplaned passenger	<u>\$ 10.03</u>	<u>\$ 9.37</u>	<u>\$ 9.11</u>	<u>\$ 8.04</u>	<u>\$ 7.26</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>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>Los Angeles International Airport</b>					
Salaries and benefits	\$ 338,004	\$ 339,551	\$ 323,522	\$ 317,000	\$ 298,612
Contractual services	162,661	162,071	143,684	141,253	148,627
Materials and supplies	47,908	35,986	32,699	32,661	38,738
Utilities	32,472	30,664	29,606	28,832	29,018
Other operating expenses	18,383	22,023	21,712	21,213	20,841
Administrative charges allocated to ONT, VNY & PMD	<u>(9,998)</u>	<u>(10,135)</u>	<u>(9,995)</u>	<u>(11,407)</u>	<u>(12,925)</u>
Total operating expenses before depreciation	589,430	580,160	541,228	529,552	522,911
Total enplaned passengers	32,524	31,519	30,281	29,003	28,329
Operating expenses per enplaned passenger	<u>\$ 18.12</u>	<u>\$ 18.41</u>	<u>\$ 17.87</u>	<u>\$ 18.26</u>	<u>\$ 18.46</u>
<b>LA/Ontario International Airport</b>					
Salaries and benefits	\$ 28,128	\$ 29,612	\$ 30,026	\$ 35,346	\$ 38,722
Contractual services	16,115	15,482	14,852	15,324	15,522
Materials and supplies	3,556	3,167	3,889	3,884	4,527
Utilities	4,087	3,808	4,110	3,970	4,519
Other operating expenses	1,233	1,279	1,424	1,476	1,201
Administrative charges allocated from LAX	<u>7,907</u>	<u>7,908</u>	<u>8,129</u>	<u>8,999</u>	<u>9,742</u>
Total operating expenses before depreciation	61,026	61,256	62,430	68,999	74,233
Total enplaned passengers	2,076	2,209	2,367	2,417	2,631
Operating expenses per enplaned passenger	<u>\$ 29.40</u>	<u>\$ 27.73</u>	<u>\$ 26.38</u>	<u>\$ 28.55</u>	<u>\$ 28.21</u>







	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>Los Angeles International Airport</b>					
Salaries and benefits	\$ 291,015	\$ 255,536	\$ 231,313	\$ 199,238	\$ 176,363
Contractual services	151,155	141,306	148,606	135,313	123,692
Materials and supplies	37,870	43,313	34,043	37,692	36,178
Utilities	27,674	20,101	23,633	24,378	19,799
Other operating expenses	24,645	21,649	26,214	23,185	32,813
Administrative charges allocated to ONT, VNY & PMD	<u>(14,627)</u>	<u>(13,381)</u>	<u>(12,485)</u>	<u>(11,853)</u>	<u>(10,611)</u>
Total operating expenses before depreciation	517,732	468,524	451,324	407,953	378,234
Total enplaned passengers	31,142	30,803	30,655	30,548	29,080
Operating expenses per enplaned passenger	<u>\$ 16.62</u>	<u>\$ 15.21</u>	<u>\$ 14.72</u>	<u>\$ 13.35</u>	<u>\$ 13.01</u>
<b>LA/Ontario International Airport</b>					
Salaries and benefits	\$ 42,012	\$ 39,391	\$ 35,376	\$ 31,014	\$ 29,608
Contractual services	14,279	18,071	16,423	15,377	14,427
Materials and supplies	5,958	6,070	5,971	7,162	5,935
Utilities	4,951	4,912	3,838	3,827	3,892
Other operating expenses	2,300	2,426	2,132	3,608	1,848
Administrative charges allocated from LAX	<u>10,883</u>	<u>10,629</u>	<u>9,557</u>	<u>9,108</u>	<u>8,319</u>
Total operating expenses before depreciation	80,383	81,499	73,297	70,096	64,029
Total enplaned passengers	3,549	3,533	3,605	3,517	3,384
Operating expenses per enplaned passenger	<u>\$ 22.65</u>	<u>\$ 23.07</u>	<u>\$ 20.33</u>	<u>\$ 19.93</u>	<u>\$ 18.92</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
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
2004	2.71	2.45	2.89	2.59

#### LA/Ontario International Airport

Fiscal Year	Signatory airlines	Non-signatory airlines
	passenger and cargo	passenger and cargo
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
2004	1.87	2.40

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.



This page intentionally left blank.



# 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>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>Los Angeles International Airport</b>					
Outstanding debt					
Revenue bonds	\$ 3,684,010	\$ 3,507,375	\$ 3,552,360	\$ 2,521,185	\$ 1,034,395
Commercial paper notes	<u>68,086</u>	<u>162,199</u>	<u>115,012</u>	<u>147,116</u>	<u>96,989</u>
Total outstanding debt	<u>\$ 3,752,096</u>	<u>\$ 3,669,574</u>	<u>\$ 3,667,372</u>	<u>\$ 2,668,301</u>	<u>\$ 1,131,384</u>
Debt service - revenue bonds					
Principal	\$ 38,250	\$ 44,985	\$ 38,670	\$ 21,205	\$ 15,575
Interest, net of capitalized amount	<u>91,258</u>	<u>86,019</u>	<u>80,655</u>	<u>26,770</u>	<u>16,184</u>
Total debt service	<u>\$ 129,508</u>	<u>\$ 131,004</u>	<u>\$ 119,325</u>	<u>\$ 47,975</u>	<u>\$ 31,759</u>
Total enplaned passengers	32,524	31,519	30,281	29,003	28,329
Outstanding debt per enplaned passenger	\$ 115.36	\$ 116.42	\$ 121.11	\$ 92.00	\$ 39.94
Debt service per enplaned passenger	\$ 3.98	\$ 4.16	\$ 3.94	\$ 1.65	\$ 1.12
<b>LA/Ontario International Airport</b>					
Outstanding debt					
Revenue bonds	<u>\$ 67,095</u>	<u>\$ 70,570</u>	<u>\$ 73,885</u>	<u>\$ 77,055</u>	<u>\$ 80,055</u>
Debt service - revenue bonds					
Principal	\$ 3,475	\$ 3,315	\$ 3,170	\$ 3,000	\$ 2,855
Interest, net of capitalized amount	<u>3,540</u>	<u>3,691</u>	<u>3,836</u>	<u>3,973</u>	<u>4,116</u>
Total debt service	<u>\$ 7,015</u>	<u>\$ 7,006</u>	<u>\$ 7,006</u>	<u>\$ 6,973</u>	<u>\$ 6,971</u>
Total enplaned passengers	2,076	2,209	2,367	2,417	2,631
Outstanding debt per enplaned passenger	\$ 32.32	\$ 31.95	\$ 31.21	\$ 31.88	\$ 30.43
Debt service per enplaned passenger	\$ 3.38	\$ 3.17	\$ 2.96	\$ 2.88	\$ 2.65





	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>Los Angeles International Airport</b>					
Outstanding debt					
Revenue bonds	\$ 205,635	\$ 218,050	\$ 229,870	\$ 251,110	\$ 273,500
Commercial paper notes	<u>330,228</u>	<u>178,745</u>	<u>--</u>	<u>15,500</u>	<u>15,500</u>
Total outstanding debt	<u>\$ 535,863</u>	<u>\$ 396,795</u>	<u>\$ 229,870</u>	<u>\$ 266,610</u>	<u>\$ 289,000</u>
Debt service - revenue bonds					
Principal	\$ 12,415	\$ 11,820	\$ 21,240	\$ 22,390	\$ 23,160
Interest, net of capitalized amount	<u>9,238</u>	<u>10,351</u>	<u>10,889</u>	<u>11,322</u>	<u>12,346</u>
Total debt service	<u>\$ 21,653</u>	<u>\$ 22,171</u>	<u>\$ 32,129</u>	<u>\$ 33,712</u>	<u>\$ 35,506</u>
Total enplaned passengers	31,142	30,803	30,655	30,548	29,080
Outstanding debt per enplaned passenger	\$ 17.21	\$ 12.88	\$ 7.50	\$ 8.73	\$ 9.94
Debt service per enplaned passenger	\$ 0.70	\$ 0.72	\$ 1.05	\$ 1.10	\$ 1.22
<b>LA/Ontario International Airport</b>					
Outstanding debt					
Revenue bonds	<u>\$ 82,910</u>	<u>\$ 85,625</u>	<u>\$ 107,300</u>	<u>\$ 109,945</u>	<u>\$ 112,441</u>
Debt service - revenue bonds					
Principal	\$ 2,715	\$ 4,530	\$ 2,645	\$ 2,495	\$ 2,365
Interest, net of capitalized amount	<u>4,253</u>	<u>2,415</u>	<u>6,678</u>	<u>6,820</u>	<u>6,955</u>
Total debt service	<u>\$ 6,968</u>	<u>\$ 6,945</u>	<u>\$ 9,323</u>	<u>\$ 9,315</u>	<u>\$ 9,320</u>
Total enplaned passengers	3,549	3,533	3,605	3,517	3,384
Outstanding debt per enplaned passenger	\$ 23.36	\$ 24.24	\$ 29.76	\$ 31.26	\$ 33.23
Debt service per enplaned passenger	\$ 1.96	\$ 1.97	\$ 2.59	\$ 2.65	\$ 2.75



# 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>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>Los Angeles International Airport</b>					
Operating revenue	\$ 865,473	\$ 822,090	\$ 767,844	\$ 655,701	\$ 651,271
Adjustments to arrive at pledged revenue <sup>(1)</sup>	<u>(542,930)</u>	<u>(519,677)</u>	<u>(492,571)</u>	<u>(503,710)</u>	<u>(480,522)</u>
Net pledged revenue	<u>\$ 322,543</u>	<u>\$ 302,413</u>	<u>\$ 275,273</u>	<u>\$ 151,991</u>	<u>\$ 170,749</u>
Debt service, principal and interest					
Senior lien bonds	\$ 79,886	\$ 85,753	\$ 79,095	\$ 24,710	\$ 18,433
Subordinate lien bonds	<u>49,622</u>	<u>45,251</u>	<u>40,230</u>	<u>23,265</u>	<u>13,326</u>
Total debt service	<u>\$ 129,508</u>	<u>\$ 131,004</u>	<u>\$ 119,325</u>	<u>\$ 47,975</u>	<u>\$ 31,759</u>
Debt service coverage					
Senior lien bonds	4.04	3.53	3.48	6.15	9.26
Subordinate lien bonds	4.89	4.79	4.88	5.47	11.43
Total bonds	2.49	2.31	2.31	3.17	5.38
<b>LA/Ontario International Airport</b>					
Operating revenue	\$ 63,849	\$ 61,296	\$ 66,886	\$ 72,380	\$ 75,019
Adjustments to arrive at pledged revenue <sup>(2)</sup>	<u>(53,780)</u>	<u>(50,935)</u>	<u>(56,361)</u>	<u>(62,579)</u>	<u>(65,364)</u>
Net pledged revenue	<u>\$ 10,069</u>	<u>\$ 10,361</u>	<u>\$ 10,525</u>	<u>\$ 9,801</u>	<u>\$ 9,655</u>
Debt service					
Principal	\$ 3,475	\$ 3,315	\$ 3,170	\$ 3,000	\$ 2,855
Interest	<u>3,540</u>	<u>3,691</u>	<u>3,836</u>	<u>3,973</u>	<u>4,116</u>
Total debt service	<u>\$ 7,015</u>	<u>\$ 7,006</u>	<u>\$ 7,006</u>	<u>\$ 6,973</u>	<u>\$ 6,971</u>
Debt service coverage					
	1.44	1.48	1.50	1.41	1.39





	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>Los Angeles International Airport</b>					
Operating revenue	\$ 631,311	\$ 542,744	\$ 518,296	\$ 481,908	\$ 456,682
Adjustments to arrive at pledged revenue <sup>(1)</sup>	<u>(482,559)</u>	<u>(436,698)</u>	<u>(421,750)</u>	<u>(387,469)</u>	<u>(344,078)</u>
Net pledged revenue	<u>\$ 148,752</u>	<u>\$ 106,046</u>	<u>\$ 96,546</u>	<u>\$ 94,439</u>	<u>\$ 112,604</u>
Debt service, principal and interest					
Senior lien bonds	\$ 19,300	\$ 19,306	\$ 29,852	\$ 32,326	\$ 34,700
Subordinate lien bonds	<u>2,353</u>	<u>2,865</u>	<u>2,277</u>	<u>1,386</u>	<u>806</u>
Total debt service	<u>\$ 21,653</u>	<u>\$ 22,171</u>	<u>\$ 32,129</u>	<u>\$ 33,712</u>	<u>\$ 35,506</u>
Debt service coverage					
Senior lien bonds	7.71	5.49	3.23	2.92	3.25
Subordinate lien bonds	55.02	30.28	29.29	44.81	96.66
Total bonds	6.87	4.78	3.00	2.80	3.17
<b>LA/Ontario International Airport</b>					
Operating revenue	\$ 85,058	\$ 82,808	\$ 78,521	\$ 76,546	\$ 65,254
Adjustments to arrive at pledged revenue <sup>(2)</sup>	<u>(72,203)</u>	<u>(72,717)</u>	<u>(65,201)</u>	<u>(62,269)</u>	<u>(56,383)</u>
Net pledged revenue	<u>\$ 12,855</u>	<u>\$ 10,091</u>	<u>\$ 13,320</u>	<u>\$ 14,277</u>	<u>\$ 8,871</u>
Debt service					
Principal	\$ 2,715	\$ 4,530	\$ 2,645	\$ 2,495	\$ 2,365
Interest	<u>4,253</u>	<u>2,415</u>	<u>6,678</u>	<u>6,820</u>	<u>6,955</u>
Total debt service	<u>\$ 6,968</u>	<u>\$ 6,945</u>	<u>\$ 9,323</u>	<u>\$ 9,315</u>	<u>\$ 9,320</u>
Debt service coverage					
	1.84	1.45	1.43	1.53	0.95

<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 \$34.4 million, \$25.2 million, and \$19 million in fiscal years 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	2013			2012			2011		
	Landing weight	% to total	Rank	Landing weight	% to total	Rank	Landing weight	% to total	Rank
<b>Los Angeles International Airport</b>									
American Airlines	6,529,038	13.0%	1	5,886,364	11.8%	1	5,570,846	11.5%	2
Delta Air Lines <sup>(1)</sup>	5,650,964	11.3%	2	4,641,153	9.3%	3	4,487,225	9.3%	4
United Airlines	5,345,557	10.6%	3	5,186,869	10.4%	2	5,584,145	11.5%	1
Southwest Airlines	4,641,112	9.2%	4	4,601,662	9.2%	4	4,737,254	9.8%	3
Virgin America <sup>(2)</sup>	1,905,138	3.8%	5	1,634,820	3.3%	7	1,331,658	2.8%	9
Federal Express	1,662,347	3.3%	6	1,628,897	3.3%	8	1,605,640	3.3%	6
Alaska Airlines	1,611,321	3.2%	7	1,518,762	3.0%	9	1,433,511	3.0%	7
Skywest Airlines	1,425,626	2.8%	8	2,295,517	4.6%	5	2,187,953	4.5%	5
Qantas Airlines	1,275,920	2.5%	9	1,331,893	2.7%	10	1,243,114	2.6%	10
Korean Airlines	1,189,653	2.4%	10	1,200,835	2.4%	11	1,219,303	2.5%	11
Continental Airlines	1,142,672	2.3%	11	1,745,543	3.5%	6	1,402,854	2.9%	8
Northwest Airlines <sup>(1)</sup>	--	--	--	--	--	--	--	--	--
All Others	<u>17,827,479</u>	35.5%		<u>18,325,317</u>	36.7%		<u>17,618,849</u>	36.4%	
Total	<u>50,206,827</u>			<u>49,997,632</u>			<u>48,422,352</u>		
Change from prior year		0.4%			3.3%			2.3%	
<b>LA/Ontario International Airport</b>									
United Parcel Service	1,698,421	34.7%	1	1,699,558	33.4%	1	1,672,356	32.3%	1
Southwest Airlines	1,484,052	30.3%	2	1,559,950	30.7%	2	1,671,134	32.2%	2
Federal Express	601,544	12.3%	3	587,865	11.6%	3	527,135	10.2%	3
US Airways <sup>(3)</sup>	246,759	5.0%	4	250,058	4.9%	4	237,037	4.6%	4
Alaska Airlines	192,940	3.9%	5	204,156	4.0%	5	139,378	2.7%	9
American Airlines	179,440	3.7%	6	182,482	3.6%	6	203,236	3.9%	5
Delta Air Lines	130,733	2.7%	8	160,626	3.2%	7	84,768	1.6%	10
Expressjet <sup>(4)</sup>	--	--	--	--	--	--	--	--	--
America West <sup>(3)</sup>	--	--	--	--	--	--	--	--	--
All Others	<u>367,166</u>	7.5%		<u>438,349</u>	8.6%		<u>647,349</u>	12.5%	
Total	<u>4,901,055</u>			<u>5,083,044</u>			<u>5,182,393</u>		
Change from prior year		-3.6%			-1.9%			-3.8%	







Carrier	2010			2009			2008		
	Landing weight	% to total	Rank	Landing weight	% to total	Rank	Landing weight	% to total	Rank
<b>Los Angeles International Airport</b>									
American Airlines	5,616,948	11.9%	1	5,765,733	12.3%	1	6,203,061	11.9%	2
Delta Air Lines <sup>(1)</sup>	3,504,530	7.4%	4	2,549,234	5.5%	4	3,033,961	5.8%	4
United Airlines	5,602,302	11.8%	2	5,667,801	12.1%	2	6,558,553	12.6%	1
Southwest Airlines	4,744,526	10.0%	3	5,068,050	10.9%	3	5,092,746	9.8%	3
Virgin America <sup>(2)</sup>	1,079,918	2.3%	11	923,066	2.0%	13	520,530	1.0%	24
Federal Express	1,523,405	3.2%	6	1,642,089	3.5%	5	1,775,030	3.4%	6
Alaska Airlines	1,365,625	2.9%	8	1,530,621	3.3%	7	1,684,252	3.2%	7
Skywest Airlines	1,865,047	3.9%	5	1,634,395	3.5%	6	1,787,682	3.4%	5
Qantas Airlines	1,426,256	3.0%	7	1,434,230	3.1%	9	1,442,048	2.8%	9
Korean Airlines	1,249,739	2.6%	10	1,138,866	2.4%	12	1,138,390	2.2%	12
Continental Airlines	1,305,333	2.8%	9	1,286,451	2.8%	10	1,387,393	2.7%	10
Northwest Airlines <sup>(1)</sup>	826,879	1.7%	14	1,458,649	3.1%	8	1,572,800	3.0%	8
All Others	<u>17,226,434</u>	36.4%		<u>16,599,848</u>	35.5%		<u>19,902,499</u>	38.2%	
Total	<u><u>47,336,942</u></u>			<u><u>46,699,033</u></u>			<u><u>52,098,945</u></u>		
Change from prior year		1.4%			-10.4%			-0.4%	

#### LA/Ontario International Airport

United Parcel Service	1,662,990	30.9%	2	1,947,908	32.9%	2	1,996,001	27.6%	2
Southwest Airlines	1,814,598	33.7%	1	1,951,978	32.9%	1	2,268,106	31.4%	1
Federal Express	529,717	9.8%	3	473,081	8.0%	3	538,784	7.5%	3
US Airways <sup>(3)</sup>	232,029	4.3%	4	230,973	3.9%	4	328,823	4.6%	5
Alaska Airlines	136,921	2.5%	9	148,517	2.5%	7	202,480	2.8%	9
American Airlines	217,590	4.0%	5	212,100	3.6%	5	229,294	3.2%	8
Delta Air Lines	111,534	2.1%	10	126,030	2.1%	9	260,499	3.6%	6
Expressjet <sup>(4)</sup>	--	--	--	66,364	1.1%	12	426,861	5.9%	4
America West <sup>(3)</sup>	--	--	--	--	--	--	--	--	--
All Others	<u>683,643</u>	12.7%		<u>771,629</u>	13.0%		<u>971,981</u>	13.5%	
Total	<u><u>5,389,022</u></u>			<u><u>5,928,580</u></u>			<u><u>7,222,829</u></u>		
Change from prior year		-9.1%			-17.9%			-1.6%	



**Airline Landing Weight Trend (continued)**  
**Last Ten Fiscal Years Ended June 30**  
(landing weight in thousand pounds)



Carrier	2007			2006			2005		
	Landing weight	% to total	Rank	Landing weight	% to total	Rank	Landing weight	% to total	Rank
<b>Los Angeles International Airport</b>									
American Airlines	6,342,564	12.1%	2	7,261,268	14.0%	1	6,530,522	12.5%	2
Delta Air Lines <sup>(1)</sup>	3,116,374	6.0%	4	2,990,123	5.8%	4	3,277,142	6.3%	4
United Airlines	7,144,632	13.7%	1	6,224,562	12.0%	2	7,255,290	13.9%	1
Southwest Airlines	4,982,430	9.5%	3	5,004,196	9.7%	3	4,880,226	9.3%	3
Virgin America <sup>(2)</sup>	--	--	--	--	--	--	--	--	--
Federal Express	1,876,769	3.6%	5	1,936,856	3.7%	5	1,956,507	3.7%	5
Alaska Airlines	1,831,490	3.5%	6	1,714,678	3.3%	6	1,747,446	3.3%	6
Skywest Airlines	1,752,097	3.4%	7	1,641,276	3.2%	8	1,579,730	3.0%	8
Qantas Airlines	1,435,397	2.7%	9	1,409,692	2.7%	9	1,338,635	2.6%	9
Korean Airlines	1,117,802	2.1%	11	1,147,742	2.2%	11	1,166,751	2.2%	12
Continental Airlines	1,421,707	2.7%	10	1,329,656	2.6%	10	1,292,606	2.5%	10
Northwest Airlines <sup>(1)</sup>	1,652,306	3.2%	8	1,700,969	3.3%	7	1,644,806	3.1%	7
All Others	<u>19,612,241</u>	37.5%		<u>19,442,180</u>	37.5%		<u>19,558,230</u>	37.4%	
Total	<u><u>52,285,809</u></u>			<u><u>51,803,198</u></u>			<u><u>52,227,891</u></u>		
Change from prior year		0.9%			-0.8%			1.3%	
<b>LA/Ontario International Airport</b>									
United Parcel Service	2,076,966	28.3%	2	1,934,103	26.8%	2	1,870,370	26.5%	2
Southwest Airlines	2,311,754	31.5%	1	2,311,538	32.1%	1	2,330,516	33.0%	1
Federal Express	574,084	7.8%	3	534,784	7.4%	3	505,685	7.2%	3
US Airways <sup>(3)</sup>	--	--	--	--	--	--	172	0.0%	50
Alaska Airlines	188,944	2.6%	8	190,098	2.6%	8	234,443	3.3%	7
American Airlines	230,591	3.1%	7	263,639	3.7%	7	300,780	4.3%	6
Delta Air Lines	326,389	4.4%	5	384,139	5.3%	4	318,010	4.5%	5
Expressjet <sup>(4)</sup>	102,207	1.4%	12	--	--	--	--	--	--
America West <sup>(3)</sup>	336,622	4.6%	4	337,184	4.7%	5	345,843	4.9%	4
All Others	<u>1,195,833</u>	16.3%		<u>1,251,977</u>	17.4%		<u>1,161,262</u>	16.4%	
Total	<u><u>7,343,390</u></u>			<u><u>7,207,462</u></u>			<u><u>7,067,081</u></u>		
Change from prior year		1.9%			2.0%			0.9%	





2004

Carrier	Landing weight	% to total	Rank
<b>Los Angeles International Airport</b>			
American Airlines	6,513,413	12.6%	2
Delta Air Lines <sup>(1)</sup>	3,535,878	6.9%	4
United Airlines	7,740,449	15.0%	1
Southwest Airlines	4,635,360	9.0%	3
Virgin America <sup>(2)</sup>	--	--	--
Federal Express	1,840,006	3.6%	5
Alaska Airlines	1,785,885	3.5%	6
Skywest Airlines	1,502,103	2.9%	8
Qantas Airlines	1,223,094	2.4%	10
Korean Airlines	1,041,396	2.0%	11
Continental Airlines	1,330,107	2.6%	9
Northwest Airlines <sup>(1)</sup>	1,635,986	3.2%	7
All Others	<u>18,782,266</u>	36.4%	
Total	<u><u>51,565,943</u></u>		
Change from prior year		-0.4%	

<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

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	1,891,019	27.0%	2
Southwest Airlines	2,260,886	32.3%	1
Federal Express	548,038	7.8%	3
US Airways <sup>(3)</sup>	172	0.0%	61
Alaska Airlines	303,953	4.3%	5
American Airlines	267,886	3.8%	6
Delta Air Lines	265,194	3.8%	7
Expressjet <sup>(4)</sup>	--	--	--
America West <sup>(3)</sup>	342,793	4.9%	4
All Others	<u>1,122,884</u>	16.0%	
Total	<u><u>7,002,825</u></u>		
Change from prior year		-1.5%	

<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	2013			2012			2011		
	Enplaned passengers	% to total	Rank	Enplaned passengers	% to total	Rank	Enplaned passengers	% to total	Rank
<b>Los Angeles International Airport</b>									
American Airlines	5,058,105	15.6%	1	4,598,923	14.6%	1	4,304,325	14.2%	1
United Airlines	4,391,393	13.5%	2	3,610,573	11.5%	2	3,838,593	12.7%	2
Delta Air Lines <sup>(1)</sup>	4,171,972	12.8%	3	3,231,000	10.3%	4	3,441,646	11.4%	4
Southwest Airlines	3,703,743	11.4%	4	3,516,770	11.2%	3	3,512,432	11.6%	3
Alaska Airlines	1,623,552	5.0%	5	1,522,926	4.8%	6	1,384,992	4.6%	6
Virgin America <sup>(2)</sup>	1,569,289	4.8%	6	1,387,310	4.4%	8	1,085,506	3.6%	8
Skywest Airlines	1,187,347	3.7%	7	1,887,638	6.0%	5	1,777,359	5.9%	5
US Airways <sup>(3)</sup>	970,442	3.0%	8	964,577	3.1%	9	981,885	3.2%	9
Continental Airlines	965,486	3.0%	9	1,515,549	4.8%	7	1,238,177	4.1%	7
Qantas Airlines	575,310	1.8%	10	603,170	1.9%	11	571,004	1.9%	10
American Eagle	497,104	1.5%	11	814,306	2.6%	10	536,346	1.8%	11
Northwest Airlines <sup>(1)</sup>	--	--	--	--	--	--	--	--	--
Mexicana Airlines <sup>(4)</sup>	--	--	--	--	--	--	80,708	0.3%	44
America West <sup>(3)</sup>	--	--	--	--	--	--	--	--	--
All Others	<u>7,810,435</u>	24.0%		<u>7,866,382</u>	25.0%		<u>7,527,566</u>	24.9%	
Total	<u><u>32,524,178</u></u>			<u><u>31,519,124</u></u>			<u><u>30,280,539</u></u>		
Change from prior year	3.2%			4.1%			4.4%		
<b>LA/Ontario International Airport</b>									
Southwest Airlines	1,151,530	55.5%	1	1,168,315	52.9%	1	1,259,699	53.2%	1
US Airways <sup>(5)</sup>	192,820	9.3%	2	195,957	8.9%	2	197,557	8.3%	3
Alaska Airlines	185,924	9.0%	3	183,525	8.3%	4	129,564	5.5%	6
American Airlines	183,418	8.8%	4	187,825	8.5%	3	203,897	8.6%	2
United Airlines	138,427	6.7%	5	103,207	4.7%	7	125,359	5.3%	7
Delta Air Lines	113,439	5.5%	6	141,135	6.4%	5	79,061	3.3%	8
Skywest Airlines	78,237	3.8%	7	83,911	3.8%	8	148,527	6.3%	4
Continental Airlines	--	--	--	104,957	4.8%	6	141,027	6.0%	5
Expressjet <sup>(6)</sup>	--	--	--	--	--	--	--	--	--
America West <sup>(5)</sup>	--	--	--	--	--	--	--	--	--
All Others	<u>32,538</u>	1.6%		<u>40,238</u>	1.8%		<u>82,429</u>	3.5%	
Total	<u><u>2,076,333</u></u>			<u><u>2,209,070</u></u>			<u><u>2,367,120</u></u>		
Change from prior year	-6.0%			-6.7%			-2.1%		





Carrier	2010			2009			2008		
	Enplaned passengers	% to total	Rank	Enplaned passengers	% to total	Rank	Enplaned passengers	% to total	Rank
<b>Los Angeles International Airport</b>									
American Airlines	4,257,396	14.7%	1	4,277,478	15.1%	1	4,611,217	14.8%	1
United Airlines	3,833,352	13.2%	2	3,871,963	13.7%	2	4,360,069	14.0%	2
Delta Air Lines <sup>(1)</sup>	2,704,832	9.3%	4	2,145,884	7.6%	4	2,358,251	7.6%	4
Southwest Airlines	3,389,180	11.7%	3	3,556,203	12.6%	3	3,851,867	12.4%	3
Alaska Airlines	1,300,025	4.5%	6	1,360,046	4.8%	5	1,409,966	4.5%	5
Virgin America <sup>(2)</sup>	893,567	3.1%	9	733,879	2.6%	10	343,589	1.1%	17
Skywest Airlines	1,441,834	5.0%	5	1,289,602	4.6%	6	1,383,225	4.4%	6
US Airways <sup>(3)</sup>	958,824	3.3%	8	1,060,803	3.7%	9	1,110,117	3.6%	9
Continental Airlines	1,214,520	4.2%	7	1,104,162	3.9%	7	1,143,870	3.7%	7
Qantas Airlines	606,970	2.1%	11	590,960	2.1%	12	614,211	2.0%	11
American Eagle	437,705	1.5%	13	406,422	1.4%	14	485,023	1.6%	12
Northwest Airlines <sup>(1)</sup>	620,804	2.1%	10	1,091,261	3.9%	8	1,133,442	3.6%	8
Mexicana Airlines <sup>(4)</sup>	529,007	1.8%	12	596,599	2.1%	11	636,272	2.0%	10
America West <sup>(3)</sup>	--	--	--	--	--	--	--	--	--
All Others	<u>6,815,126</u>	23.5%		<u>6,243,716</u>	22.0%		<u>7,701,220</u>	24.7%	
Total	<u>29,003,142</u>			<u>28,328,978</u>			<u>31,142,339</u>		
Change from prior year	2.4%			-9.0%			1.1%		

### LA/Ontario International Airport

Southwest Airlines	1,278,752	52.9%	1	1,412,930	53.7%	1	1,731,689	48.8%	1
US Airways <sup>(5)</sup>	188,537	7.8%	3	205,250	7.8%	2	247,920	7.0%	3
Alaska Airlines	124,560	5.2%	7	121,414	4.6%	6	155,492	4.4%	7
American Airlines	212,397	8.8%	2	197,943	7.5%	3	219,614	6.2%	5
United Airlines	143,238	5.9%	5	162,653	6.2%	4	197,140	5.6%	6
Delta Air Lines	97,965	4.1%	8	120,822	4.6%	7	242,279	6.8%	4
Skywest Airlines	136,028	5.6%	6	96,243	3.7%	8	112,316	3.2%	9
Continental Airlines	147,384	6.1%	4	144,210	5.5%	5	138,542	3.9%	8
Expressjet <sup>(6)</sup>	--	--	--	54,269	2.1%	10	291,514	8.2%	2
America West <sup>(5)</sup>	--	--	--	--	--	--	--	--	--
All Others	<u>88,224</u>	3.7%		<u>115,458</u>	4.4%		<u>212,376</u>	6.0%	
Total	<u>2,417,085</u>			<u>2,631,192</u>			<u>3,548,882</u>		
Change from prior year	-8.1%			-25.9%			0.5%		



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



Carrier	2007			2006			2005		
	Enplaned passengers	% to total	Rank	Enplaned passengers	% to total	Rank	Enplaned passengers	% to total	Rank
<b>Los Angeles International Airport</b>									
American Airlines	4,679,905	15.2%	2	4,642,853	15.1%	2	4,492,113	14.7%	2
United Airlines	4,826,434	15.7%	1	4,825,156	15.7%	1	4,858,603	15.9%	1
Delta Air Lines <sup>(1)</sup>	2,312,650	7.5%	4	2,230,835	7.3%	4	2,329,863	7.6%	4
Southwest Airlines	3,817,855	12.4%	3	3,930,014	12.8%	3	3,763,817	12.3%	3
Alaska Airlines	1,479,679	4.8%	5	1,459,669	4.8%	5	1,436,584	4.7%	5
Virgin America <sup>(2)</sup>	--	--	--	--	--	--	--	--	--
Skywest Airlines	1,425,685	4.6%	6	1,317,516	4.3%	6	1,277,811	4.2%	6
US Airways <sup>(3)</sup>	495,365	1.6%	14	474,258	1.5%	14	519,329	1.7%	12
Continental Airlines	1,170,936	3.8%	7	1,085,628	3.5%	8	970,303	3.2%	9
Qantas Airlines	620,142	2.0%	10	594,801	1.9%	11	569,952	1.9%	11
American Eagle	509,076	1.7%	12	502,148	1.6%	12	512,923	1.7%	13
Northwest Airlines <sup>(1)</sup>	1,129,526	3.7%	8	1,118,732	3.6%	7	1,103,405	3.6%	7
Mexicana Airlines <sup>(4)</sup>	572,616	1.9%	11	712,492	2.3%	10	618,550	2.0%	10
America West <sup>(3)</sup>	742,902	2.4%	9	812,785	2.7%	9	986,751	3.2%	8
All Others	<u>7,020,699</u>	22.8%		<u>6,948,259</u>	22.7%		<u>7,108,247</u>	23.3%	
Total	<u><u>30,803,470</u></u>			<u><u>30,655,146</u></u>			<u><u>30,548,251</u></u>		
Change from prior year	0.5%			0.3%			5.0%		
<b>LA/Ontario International Airport</b>									
Southwest Airlines	1,774,212	50.2%	1	1,770,226	49.1%	1	1,782,652	50.7%	1
US Airways <sup>(5)</sup>	--	--	--	--	--	--	--	--	--
Alaska Airlines	146,968	4.2%	8	153,817	4.3%	6	184,339	5.2%	6
American Airlines	221,952	6.3%	5	248,497	6.9%	4	255,392	7.3%	3
United Airlines	225,434	6.4%	4	242,703	6.7%	5	191,374	5.4%	5
Delta Air Lines	275,411	7.8%	2	294,999	8.2%	2	241,275	6.9%	4
Skywest Airlines	151,362	4.3%	6	124,173	3.4%	8	113,500	3.2%	8
Continental Airlines	147,383	4.2%	7	150,386	4.2%	7	123,396	3.5%	7
Expressjet <sup>(6)</sup>	44,593	1.3%	13	--	--	--	--	--	--
America West <sup>(5)</sup>	259,470	7.3%	3	266,980	7.4%	3	273,548	7.8%	2
All Others	<u>286,152</u>	8.1%		<u>353,139</u>	9.8%		<u>351,752</u>	10.0%	
Total	<u><u>3,532,937</u></u>			<u><u>3,604,920</u></u>			<u><u>3,517,228</u></u>		
Change from prior year	-2.0%			2.5%			3.9%		





Carrier	2004		
	Enplaned passengers	% to total	Rank
<b>Los Angeles International Airport</b>			
American Airlines	3,927,869	13.5%	2
United Airlines	4,871,677	16.8%	1
Delta Air Lines <sup>(1)</sup>	2,266,517	7.8%	4
Southwest Airlines	3,589,396	12.3%	3
Alaska Airlines	1,333,670	4.6%	5
Virgin America <sup>(2)</sup>	--	--	--
Skywest Airlines	1,215,879	4.2%	6
US Airways <sup>(3)</sup>	525,259	1.8%	12
Continental Airlines	885,956	3.0%	8
Qantas Airlines	553,265	1.9%	10
American Eagle	520,660	1.8%	13
Northwest Airlines <sup>(1)</sup>	1,026,338	3.5%	7
Mexicana Airlines <sup>(4)</sup>	505,384	1.7%	14
America West <sup>(3)</sup>	803,402	2.8%	9
All Others	<u>7,054,575</u>	24.3%	
Total	<u>29,079,847</u>		
Change from prior year		4.9%	

<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

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

### LA/Ontario International Airport

Southwest Airlines	1,737,464	51.3%	1
US Airways <sup>(5)</sup>	--	--	--
Alaska Airlines	222,883	6.6%	4
American Airlines	223,213	6.6%	3
United Airlines	162,647	4.8%	6
Delta Air Lines	208,527	6.2%	5
Skywest Airlines	95,015	2.8%	8
Continental Airlines	98,306	2.9%	7
Expressjet <sup>(6)</sup>	--	--	--
America West <sup>(5)</sup>	266,812	7.9%	2
All Others	<u>369,486</u>	10.9%	
Total	<u>3,384,353</u>		
Change from prior year		3.4%	

<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>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Administration	25	53	46	50	56
Airports Development	64	60	36	36	27
Business and Job Resources	19	20	21	26	31
Capital Finance and Budget	16	17	17	18	16
Comptroller	127	118	120	119	125
Concessions Development	15	9	14	14	17
Facilities Management	1,457	1,456	1,461	1,441	1,544
Governmental Affairs	15	16	17	15	18
Human Resources	73	70	69	66	60
Information Management and Technology	163	162	161	160	154
Landside Business Management	14	10	14	18	15
Law Enforcement and Protection Services	903	906	908	905	937
Operations and Emergency Management	512	526	522	538	621
Procurement Services	38	39	39	39	30
Public, Media and Community Relations	43	41	43	49	60
Real Estate Services	43	39	37	29	29
Terminal Business Management	8	10	10	12	7
<b>Total</b>	<u><u>3,535</u></u>	<u><u>3,552</u></u>	<u><u>3,535</u></u>	<u><u>3,535</u></u>	<u><u>3,747</u></u>







<u>Division/Group</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Administration	54	52	45	45	42
Airports Development	24	29	21	21	20
Business and Job Resources	52	44	45	52	5
Capital Finance and Budget	16	10	15	13	5
Comptroller	113	114	110	111	99
Concessions Development	18	13	20	16	15
Facilities Management	1,552	1,466	1,455	1,399	1,243
Governmental Affairs	16	18	20	17	20
Human Resources	63	56	59	53	45
Information Management and Technology	132	113	99	98	94
Landside Business Management	15	18	15	17	23
Law Enforcement and Protection Services	937	885	808	716	728
Operations and Emergency Management	677	678	593	579	548
Procurement Services	32	25	20	22	25
Public, Media and Community Relations	69	68	94	107	98
Real Estate Services	14	16	17	16	16
Terminal Business Management	20	25	18	18	22
Total	<u>3,804</u>	<u>3,630</u>	<u>3,454</u>	<u>3,300</u>	<u>3,048</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.



# Los Angeles World Airports

(Department of Airports of the City of Los Angeles)



## Schedule of Capital Assets

### Last Ten Fiscal Years June 30

(amounts in thousands)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>Total Capital Assets</b>					
Land and land clearance	\$ 970,990	\$ 872,057	\$ 834,124	\$ 829,956	\$ 705,017
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>2,854,349</u>	<u>2,027,552</u>	<u>1,976,232</u>	<u>1,790,155</u>	<u>1,406,017</u>
<b>Capital assets not depreciated</b>	<u>3,878,232</u>	<u>2,952,502</u>	<u>2,863,249</u>	<u>2,673,004</u>	<u>2,163,927</u>
Buildings	886,348	827,911	827,911	827,911	775,533
Improvements	3,281,706	3,076,713	2,152,913	1,727,753	1,290,441
Capitalized leases	--	--	--	--	184,423
Computer software	2,466	--	--	--	--
Equipment and vehicles	<u>234,622</u>	<u>217,623</u>	<u>213,124</u>	<u>206,235</u>	<u>205,856</u>
<b>Capital assets depreciated</b>	<u>4,405,142</u>	<u>4,122,247</u>	<u>3,193,948</u>	<u>2,761,899</u>	<u>2,456,253</u>
Less accumulated depreciation	<u>(1,897,516)</u>	<u>(1,743,013)</u>	<u>(1,597,355)</u>	<u>(1,468,611)</u>	<u>(1,358,973)</u>
<b>Net capital assets</b>	<u>\$ 6,385,858</u>	<u>\$ 5,331,736</u>	<u>\$ 4,459,842</u>	<u>\$ 3,966,292</u>	<u>\$ 3,261,207</u>
<b>Capital Assets Held for Leases</b>					
Buildings and facilities	\$ 1,845,187	\$ 1,748,987	\$ 1,068,927	\$ 841,811	\$ 841,064
Less accumulated depreciation	<u>(562,696)</u>	<u>(505,895)</u>	<u>(463,618)</u>	<u>(431,793)</u>	<u>(410,386)</u>
Net	1,282,491	1,243,092	605,309	410,018	430,678
Land	<u>686,363</u>	<u>619,246</u>	<u>605,480</u>	<u>602,175</u>	<u>477,236</u>
<b>Total capital assets held for leases</b>	<u>\$ 1,968,854</u>	<u>\$ 1,862,338</u>	<u>\$ 1,210,789</u>	<u>\$ 1,012,193</u>	<u>\$ 907,914</u>





	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>Total Capital Assets</b>					
Land and land clearance	\$ 705,017	\$ 705,017	\$ 685,668	\$ 683,006	\$ 564,604
Air easements	46,975	46,975	46,975	46,975	46,975
Emission reduction credits	--	--	--	--	--
Construction work in progress	<u>948,299</u>	<u>452,102</u>	<u>286,985</u>	<u>223,565</u>	<u>194,101</u>
<b>Capital assets not depreciated</b>	<u>1,700,291</u>	<u>1,204,094</u>	<u>1,019,628</u>	<u>953,546</u>	<u>805,680</u>
Buildings	775,533	775,458	767,950	765,903	765,903
Improvements	1,233,927	1,187,807	966,336	837,305	797,089
Capitalized leases	184,423	184,423	184,423	184,423	184,423
Computer software	--	--	--	--	--
Equipment and vehicles	<u>188,343</u>	<u>178,399</u>	<u>161,737</u>	<u>152,924</u>	<u>144,062</u>
<b>Capital assets depreciated</b>	<u>2,382,226</u>	<u>2,326,087</u>	<u>2,080,446</u>	<u>1,940,555</u>	<u>1,891,477</u>
Less accumulated depreciation	<u>(1,251,877)</u>	<u>(1,148,458)</u>	<u>(1,065,538)</u>	<u>(981,593)</u>	<u>(905,404)</u>
<b>Net capital assets</b>	<u>\$ 2,830,640</u>	<u>\$ 2,381,723</u>	<u>\$ 2,034,536</u>	<u>\$ 1,912,508</u>	<u>\$ 1,791,753</u>
<b>Capital Assets Held for Leases</b>					
Buildings and facilities	\$ 816,560	\$ 816,520	\$ 813,811	\$ 807,424	\$ 807,071
Less accumulated depreciation	<u>(390,256)</u>	<u>(370,235)</u>	<u>(350,037)</u>	<u>(329,173)</u>	<u>(303,968)</u>
Net	426,304	446,285	463,774	478,251	503,103
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>\$ 903,540</u>	<u>\$ 923,521</u>	<u>\$ 941,010</u>	<u>\$ 955,487</u>	<u>\$ 980,339</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

<u>Year</u>	<u>Los Angeles</u>	<u>Orange</u>	<u>Riverside</u>	<u>San Bernardino</u>	<u>Ventura</u>	<u>Total</u>
2013	9,958,091	3,081,804	2,255,059	2,076,274	835,436	18,206,664
2012	9,889,520	3,057,879	2,234,193	2,059,699	829,065	18,070,356
2011	9,847,712	3,028,846	2,205,731	2,046,619	827,874	17,956,782
2010	9,822,121	3,008,855	2,179,692	2,033,141	822,108	17,865,917
2009	9,801,096	2,990,805	2,140,626	2,019,432	815,284	17,767,243
2008	9,785,474	2,974,321	2,102,741	2,009,594	808,970	17,681,100
2007	9,780,808	2,960,659	2,049,902	1,989,690	803,572	17,584,631
2006	9,798,609	2,956,334	1,975,913	1,959,715	799,049	17,489,620
2005	9,816,153	2,956,847	1,895,695	1,921,423	795,962	17,386,080
2004	9,806,944	2,948,135	1,814,485	1,875,063	792,213	17,236,840

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
2011	\$ 420,913,463	\$ 154,131,535	\$ 67,024,780	\$ 61,957,654	\$ 38,141,164	\$ 742,168,596
2010	403,144,483	147,138,449	63,949,636	59,611,251	36,506,222	710,350,041
2009	392,579,855	145,247,447	61,965,156	58,395,012	35,545,475	693,732,945
2008	417,454,378	155,925,156	65,067,438	60,552,997	37,603,282	736,603,251
2007	400,366,343	153,446,641	63,749,464	59,296,141	37,308,816	714,167,405
2006	385,724,212	150,598,354	60,450,090	56,475,057	35,706,411	688,954,124
2005	357,186,377	139,408,948	55,177,252	53,420,562	33,151,233	638,344,372
2004	338,203,048	130,321,396	50,899,043	50,217,879	31,334,269	600,975,635
2003	322,267,247	122,427,855	46,998,865	46,703,092	29,068,396	567,465,455
2002	311,361,182	116,004,953	43,619,440	43,940,654	27,345,403	542,271,632

Source: US Department of Commerce, Bureau of Economic Analysis. Data subsequent to 2011 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
2011	\$ 42,564	\$ 50,440	\$ 29,927	\$ 29,998	\$ 45,855	\$ 41,331
2010	41,025	48,760	29,029	29,192	44,226	39,760
2009	40,111	48,624	28,865	28,995	43,607	39,046
2008	42,881	52,720	30,842	30,220	46,634	41,660
2007	41,273	52,342	30,720	29,765	46,634	40,613
2006	39,610	51,359	30,039	28,607	44,735	39,392
2005	36,498	47,417	28,563	27,481	41,742	36,716
2004	34,534	44,301	27,416	26,443	39,464	34,866
2003	32,995	41,793	26,528	25,298	36,886	33,333
2002	32,080	39,888	25,854	24,414	35,081	32,292

Source: US Department of Commerce, Bureau of Economic Analysis. Data subsequent to 2011 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.
2013 (Aug)	10.2	6.2	10.8	10.0	7.8	8.8	7.3
2012	10.9	7.6	12.2	12.0	9.0	10.5	8.1
2011	12.3	8.8	13.7	13.4	10.1	11.8	8.9
2010	12.6	9.5	14.5	14.2	10.8	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
2004	6.5	4.3	6.0	5.8	5.4	6.2	5.5

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	2013			2004		
	Employees	Rank	Percentage	Employees	Rank	Percentage
Kaiser Permanente	36,495	1	0.8%	29,593	1	0.7%
Northrop Grumman Corp.	16,100	2	0.4%	20,400	3	0.5%
Target Corporation	15,000	3	0.3%	10,811	8	0.2%
University of Southern California	14,525	4	0.3%	12,111	7	0.3%
Bank of America Corp	13,746	5	0.3%	--	--	--
Ralphs/Food 4 Less	13,500	6	0.3%	16,287	5	0.4%
Cedar-Sinai Medical Center	13,000 <sup>2</sup>	7	0.3%	17,500 <sup>2</sup>	4	0.4%
Providence Health & Services	10,983	8	0.2%	5,504	--	0.1%
Home Depot	10,630	9	0.2%	-	--	--
Walt Disney Co.	10,500	10	0.2%	-	--	--
Boeing Co.	-	--	--	20,593	2	0.5%
Tenet Healthcare Corp	-	--	--	14,733	6	0.3%
ABM Industries	8,200	--	0.2%	9,800	9	0.2%
SBC Communications	-	--	--	9,500	10	0.2%
All Others	4,323,721	--	96.4%	4,287,268	--	96.3%
	<u>4,486,400</u> <sup>1</sup>		<u>100.0%</u>	<u>4,454,100</u> <sup>1</sup>		<u>100.0%</u>

Sources: Los Angeles Business Journal (LABJ) dated September 9, 2013

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

<sup>2</sup> University of Southern California

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.







2013 COMPREHENSIVE ANNUAL FINANCIAL REPORT

# Compliance Section





## **Compliance Section Contains:**

- 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, for its passenger facility charge program for the fiscal year ended June 30, 2013.

### **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, 2013.



# 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 Fini & O'Connell LLP*

Los Angeles, California  
October 28, 2013



# Los Angeles World Airports

(Department of Airports of the City of Los Angeles)



## Schedule of Passenger Facility Charge Revenues and Expenditures For the Fiscal Years Ended June 30, 2013 and 2012

(amounts in thousands)

	Passenger 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, 2011</b>					
Los Angeles International Airport	\$ 1,431,567	\$ 155,102	\$ 1,586,669	\$ 927,874	\$ 658,795
LA/Ontario International Airport	149,541	43,064	192,605	153,702	38,903
Subtotal	<u>1,581,108</u>	<u>198,166</u>	<u>1,779,274</u>	<u>1,081,576</u>	<u>697,698</u>
<b>Fiscal year 2011-12 transactions</b>					
Los Angeles International Airport					
Quarter ended September 30, 2011	30,383	1,599	31,982	2,248	29,734
Quarter ended December 31, 2011	29,731	1,551	31,282	16,745	14,537
Quarter ended March 31, 2012	27,476	4,237	31,713	11,909	19,804
Quarter ended June 30, 2012	<u>33,711</u>	<u>3,413</u>	<u>37,124</u>	<u>27,116</u>	<u>10,008</u>
Subtotal	<u>121,301</u>	<u>10,800</u>	<u>132,101</u>	<u>58,018</u>	<u>74,083</u>
LA/Ontario International Airport					
Quarter ended September 30, 2011	2,376	84	2,460	17,214	(14,754)
Quarter ended December 31, 2011	2,350	85	2,435	--	2,435
Quarter ended March 31, 2012	1,947	191	2,138	1,500	638
Quarter ended June 30, 2012	<u>2,752</u>	<u>128</u>	<u>2,880</u>	<u>151</u>	<u>2,729</u>
Subtotal	<u>9,425</u>	<u>488</u>	<u>9,913</u>	<u>18,865</u>	<u>(8,952)</u>
<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	<u>158,966</u>	<u>43,552</u>	<u>202,518</u>	<u>172,567</u>	<u>29,951</u>
Subtotal	<u>1,711,834</u>	<u>209,454</u>	<u>1,921,288</u>	<u>1,158,459</u>	<u>762,829</u>
<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	<u>30,162</u>	<u>3,297</u>	<u>33,459</u>	<u>159,805</u>	<u>(126,346)</u>
Subtotal	<u>121,480</u>	<u>11,302</u>	<u>132,782</u>	<u>156,804</u>	<u>(24,022)</u>
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	<u>659</u>	<u>135</u>	<u>794</u>	<u>--</u>	<u>794</u>
Subtotal	<u>6,306</u>	<u>443</u>	<u>6,749</u>	<u>154</u>	<u>6,595</u>
<b>Unexpended passenger facility charge revenues and interest earned 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	<u>165,272</u>	<u>43,995</u>	<u>209,267</u>	<u>172,721</u>	<u>36,546</u>
Total	<u>\$ 1,839,620</u>	<u>\$ 221,199</u>	<u>\$ 2,060,819</u>	<u>\$ 1,315,417</u>	<u>\$ 745,402</u>

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 June 30, 2013 and 2012

### 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 PFCs rate at LAX is \$4.50. At ONT, the PFCs 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>\$ 2,780,900</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 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 \$34.4 million and \$25.2 million in fiscal years 2013 and 2012, 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	
		2013	2012
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	78,576	44,176
Implementation of IT Security Master Plan	56,573	33,063	28,790
Noise Mitigation - Land Acquisitions	485,000	348,312	360,292
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	29,710	25,575
Noise Mitigation - Other Local Jurisdictions Phase II	50,000	38,067	34,091
Bradley West	855,000	122,000	--
Lennox Schools Soundproofing Program	34,089	11,215	11,215
Subtotal	<u>2,538,463</u>	<u>1,142,696</u>	<u>985,892</u>



# Notes to the Schedule of Passenger Facility Charge Revenues and Expenditures June 30, 2013 and 2012

(continued)



Approved projects	Amount approved for collection	Expenditures to date	
		June 30	
		2013	2012
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	39,422	39,347
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	325	246
Aircraft Rescue and Firefighting Vehicles	924	910	910
ONT Master Plan	6,037	4,027	4,027
Subtotal	242,437	172,721	172,567
Total	\$ 2,780,900	\$ 1,315,417	\$ 1,158,459

## 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 SB 1192*, for its customer facility charge program for the fiscal year ended June 30, 2013.

**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*. Those standards and the *California Civil Code Section 1936, as amended by SB 1192*, 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, 2013.



# 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*. Accordingly, this report is not suitable for any other purpose.

*Macias Jini & O'Connell LLP*

Los Angeles, California  
October 28, 2013



# Los Angeles World Airports

(Department of Airports of the City of Los Angeles)



## Schedule of Customer Facility Charge Revenues and Expenditures For the Fiscal Years Ended June 30, 2013 and 2012 (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, 2011</b>					
Los Angeles International Airport	\$ 91,029	\$ 4,945	\$ 95,974	\$ 3,026	\$ 92,948
LA/Ontario International Airport	39,308	437	39,745	37,290	2,455
Subtotal	130,337	5,382	135,719	40,316	95,403
<b>Fiscal year 2011-12 transactions</b>					
Los Angeles International Airport					
Quarter ended September 30, 2011	6,750	392	7,142	--	7,142
Quarter ended December 31, 2011	6,579	407	6,986	--	6,986
Quarter ended March 31, 2012	6,002	391	6,393	--	6,393
Quarter ended June 30, 2012	6,900	183	7,083	--	7,083
Subtotal	26,231	1,373	27,604	--	27,604
LA/Ontario International Airport					
Quarter ended September 30, 2011	813	10	823	899	(76)
Quarter ended December 31, 2011	952	10	962	905	57
Quarter ended March 31, 2012	872	9	881	903	(22)
Quarter ended June 30, 2012	1,044	8	1,052	902	150
Subtotal	3,681	37	3,718	3,609	109
<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>Unexpended customer facility charge revenues and interest earned 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
Total	\$ 190,670	\$ 8,501	\$ 199,171	\$ 47,597	\$ 151,574

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





**Notes to the Schedule of Customer Facility Charge Revenues and Expenditures June 30, 2013 and 2012**

**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):

	<u>2013</u>	<u>2012</u>
Amount collected	\$ 144,106	\$ 117,260
Interest earnings	<u>7,997</u>	<u>6,318</u>
Subtotal	152,103	123,578
Expenditures		
CRCF planning and development costs	<u>3,026</u>	<u>3,026</u>
Unexpended CFCs revenue and interest earnings	<u>\$ 149,077</u>	<u>\$ 120,552</u>

**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>2013</u>	<u>2012</u>
Amount collected	\$ 46,564	\$ 42,989
Interest earnings	504	474
Subtotal	<u>47,068</u>	<u>43,463</u>
Expenditures		
LAWA direct investment	5,000	4,570
Common use shuttle service	30,757	28,175
Debt service	8,814	8,154
Subtotal	<u>44,571</u>	<u>40,899</u>
Unexpended CFCs revenue and interest earnings	<u>\$ 2,497</u>	<u>\$ 2,564</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.



This page intentionally left blank.





2013 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
**Other Information Section**





## Other Information Section



# 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
6/30/2010	\$ 1,248,131	\$ 1,645,405	\$ 397,274	76%	\$ 237,458	167%
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%

### 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
6/30/2010	\$ 186,256	\$ 291,832	\$ 105,576	64%	\$ 237,458	44%
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%

### 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.



Los Angeles World Airports  
Administrative Offices  
1 World Way  
Los Angeles, CA 90045-5803  
Mail: PO Box 92216  
Los Angeles, CA 90009-2216  
Telephone: (310) 646-5252  
Internet: [www.lawa.aero](http://www.lawa.aero)

Los Angeles International Airport  
1 World Way  
Los Angeles, CA 90045-5803  
Telephone: (310) 646-5252

LA/Ontario International Airport  
1923 East Avion Street  
Ontario, CA 91761  
Telephone: (909) 937-2700

Van Nuys Airport  
16461 Sherman Way, Suite 300  
Van Nuys, CA 91406  
Telephone: (818) 442-6500