NEW ISSUES – BOOK-ENTRY ONLY **Ratings: See "RATINGS" herein.**

In the opinion of Kutak Rock LLP, Bond Counsel to the Department, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Series 2015DE Senior Bonds is excluded from gross income for federal income tax purposes, except for interest on any Series 2015D Senior Bond for any period during which such Series 2015D Senior Bond is held by a "substantial user" of the facilities financed or refinanced by the Series 2015D Senior Bonds, or a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended. Bond Counsel is further of the opinion that (a) interest on the Series 2015D Senior Bonds is a specific preference item for purposes of the federal alternative minimum tax, and (b) interest on the Series 2015E Senior Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel is further of the opinion that interest on the Series 2015DE Senior Bonds is exempt from present State of California personal income taxes. See "TAX MATTERS" herein.

$324,325,000
DEPARTMENT OF AIRPORTS
OF THE CITY OF LOS ANGELES, CALIFORNIA
LOS ANGELES INTERNATIONAL AIRPORT

$296,475,000	$27,850,000
Senior Revenue Bonds	**Senior Revenue Bonds**
2015 Series D	**2015 Series E**
(AMT)	**(Non-AMT)**

Dated: Date of Delivery **Due: May 15, as shown on the inside cover**

The Los Angeles International Airport, Senior Revenue Bonds, 2015 Series D (the "Series 2015D Senior Bonds"), and the Los Angeles International Airport, Senior Revenue Bonds, 2015 Series E (the "Series 2015E Senior Bonds" and together with the Series 2015D Senior Bonds, the "Series 2015DE Senior Bonds") of the Department of Airports of the City of Los Angeles (the "Department") are being issued as described herein. Capitalized terms not defined on the cover of this Official Statement shall have the meanings ascribed to them in this Official Statement.

The Series 2015DE Senior Bonds are being issued to (i) pay or reimburse the Department for certain capital projects at Los Angeles International Airport ("LAX"), (ii) make a deposit to the Senior Reserve Fund, (iii) fund a portion of the interest accruing on the Series 2015DE Senior Bonds, and (iv) pay costs of issuance of the Series 2015DE Senior Bonds. See "PLAN OF FINANCE."

The Series 2015DE Senior Bonds are limited obligations of the Department payable solely from and secured solely by (i) a pledge of Net Pledged Revenues and (ii) certain funds and accounts held by the Senior Trustee. The Series 2015DE Senior Bonds are being issued on parity with the Existing Senior Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015DE SENIOR BONDS."

The Series 2015DE Senior Bonds do not constitute or evidence an indebtedness of the City of Los Angeles (the "City") or a lien or charge on any property or the general revenues of the City. Neither the faith and the credit nor the taxing power of the City, the State of California or any public agency, other than the Department, to the extent described herein, is pledged to the payment of the principal of or interest on the Series 2015DE Senior Bonds. The Department has no power of taxation. The Series 2015DE Senior Bonds shall constitute and evidence an obligation of the Department payable only in accordance with Section 609(b) of the City Charter and any other applicable provisions thereof. None of the properties of the Airport System is subject to any mortgage or other lien for the benefit of the owners of the Series 2015DE Senior Bonds. The Department is under no obligation to pay the Series 2015DE Senior Bonds, except from funds in the LAX Revenue Account of the Airport Revenue Fund and as further specifically provided in the Senior Indenture.

Interest on the Series 2015DE Senior Bonds will be payable on each May 15 and November 15, commencing May 15, 2016. The Series 2015DE Senior Bonds are being issued only as fully registered bonds in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), and will be available in authorized denominations of $5,000 and integral multiples thereof. The Series 2015DE Senior Bonds initially are being issued and delivered in book-entry form only.

The Series 2015DE Senior Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as described herein. See "DESCRIPTION OF THE SERIES 2015DE SENIOR BONDS – Redemption Provisions."

The Series 2015DE Senior Bonds are offered when, as and if issued by the Department, subject to the approval of validity by Kutak Rock LLP, Bond Counsel to the Department, and certain other conditions. Certain legal matters will be passed upon for the Department by Michael N. Feuer, City Attorney of the City. Polsinelli LLP serves as Disclosure Counsel to the Department. Certain legal matters will be passed upon for the Underwriters by their counsel, Hawkins Delafield & Wood LLP. Public Resources Advisory Group, Public Financial Management, Inc. and Backstrom McCarley Berry & Co., LLC, serve as Co-Financial Advisors to the Department. It is expected that the delivery of the Series 2015DE Senior Bonds will be made through DTC on or about November 24, 2015.

Siebert Brandford Shank & Co., L.L.C.

Citigroup **J.P. Morgan** **Ramirez & Co., Inc.** **Stifel**

Date of Official Statement: November 5, 2015.

MATURITY DATES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS AND CUSIP[†] NUMBERS

$296,475,000
DEPARTMENT OF AIRPORTS
OF THE CITY OF LOS ANGELES, CALIFORNIA
LOS ANGELES INTERNATIONAL AIRPORT
Senior Revenue Bonds
2015 Series D
(AMT)

Maturity Date (May 15)	Principal Amount	Interest Rate	Yield	CUSIP No.[†] (544435)	Maturity Date (May 15)	Principal Amount	Interest Rate	Yield	CUSIP No.[†] (544435)
2017	$ 5,690,000	5.000%	0.600%	6T2	2027	$ 9,265,000	5.000%	2.810%[C]	7D6
2018	5,970,000	5.000	0.870	6U9	2028	9,735,000	5.000	2.900[C]	7E4
2019	6,270,000	5.000	1.110	6V7	2029	10,215,000	5.000	3.020[C]	7F1
2020	6,585,000	5.000	1.370	6W5	2030	10,725,000	5.000	3.120[C]	7G9
2021	6,910,000	5.000	1.660	6X3	2031	11,270,000	5.000	3.200[C]	7H7
2022	7,265,000	5.000	1.940	6Y1	2032	11,835,000	5.000	3.290[C]	7J3
2023	7,625,000	5.000	2.180	6Z8	2033	12,420,000	5.000	3.350[C]	7K0
2024	8,005,000	5.000	2.360	7A2	2034	13,045,000	5.000	3.400[C]	7L8
2025	8,405,000	5.000	2.500	7B0	2035	13,690,000	5.000	3.450[C]	7M6
2026	8,830,000	5.000	2.660[C]	7C8	2036	14,375,000	5.000	3.490[C]	7N4

$108,345,000 – 5.000% Series 2015D Senior Term Bonds due May 15, 2041 – Yield 3.600%[C], CUSIP No. 5444357P9[†]

$27,850,000
DEPARTMENT OF AIRPORTS
OF THE CITY OF LOS ANGELES, CALIFORNIA
LOS ANGELES INTERNATIONAL AIRPORT
Senior Revenue Bonds
2015 Series E
(Non-AMT)

Maturity Date (May 15)	Principal Amount	Interest Rate	Yield	CUSIP No.[†] (544435)	Maturity Date (May 15)	Principal Amount	Interest Rate	Yield	CUSIP No.[†] (544435)
2017	$ 840,000	3.000%	0.450%	7Q7	2027	$ 1,255,000	5.000%	2.480%[C]	8A1
2018	865,000	4.000	0.690	7R5	2028	1,315,000	5.000	2.590[C]	8B9
2019	900,000	5.000	0.870	7S3	2029	1,385,000	5.000	2.700[C]	8C7
2020	950,000	2.000	1.120	7T1	2030	1,450,000	5.000	2.790[C]	8D5
2021	965,000	4.000	1.360	7U8	2031	1,525,000	5.000	2.860[C]	8E3
2022	1,005,000	4.000	1.580	7V6	2032	1,605,000	5.000	2.920[C]	8F0
2023	1,040,000	5.000	1.800	7W4	2033	1,685,000	5.000	2.990[C]	8G8
2024	1,095,000	4.000	2.000	7X2	2034	1,770,000	5.000	3.040[C]	8H6
2025	1,140,000	5.000	2.140	7Y0	2035	1,855,000	5.000	3.080[C]	8J2
2026	1,195,000	5.000	2.340[C]	7Z7	2036	1,945,000	5.000	3.130[C]	8K9

$2,065,000 – 5.000% Series 2015E Senior Term Bonds due May 15, 2041 – Yield 3.250%[C], CUSIP No. 5444358L7[†]

 CUSIP numbers have been assigned by an independent company not affiliated with the Department and are included solely for the convenience of the registered owners of the applicable bonds. None of the Underwriters, the Co-Financial Advisors or the Department is responsible for the selection or use of these CUSIP numbers and no representation is made as to their correctness on the applicable bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the bonds.

[C] Priced to par call date of May 15, 2025.

No dealer, broker, salesperson or other person has been authorized by the Department to give any information or to make any representation, other than those contained herein, and if given or made, such other information or representation must not be relied upon as having been authorized by the Department. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2015DE Senior Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

The Series 2015DE Senior Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Senior Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.

This Official Statement is not to be construed as a contract with the purchasers of the Series 2015DE Senior Bonds. The information and expressions of opinions herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Department since the date hereof.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities under federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

In connection with the offering of the Series 2015DE Senior Bonds, the Underwriters may over-allot or effect transactions that may stabilize or maintain the market price of such Series 2015DE Senior Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The Department undertakes no responsibility for and makes no representations as to the accuracy or completeness of the content of materials contained on the websites referenced in this Official Statement, including but not limited to, updates of such information or links to other Internet sites accessed through such websites. Any information contained on such websites that is inconsistent with the information set forth in this Official Statement should be disregarded. No information contained on such websites is a part of or incorporated into this Official Statement except as expressly noted.

CITY OF LOS ANGELES OFFICIALS

Eric Garcetti, Mayor
Michael N. Feuer, City Attorney
Ron Galperin, City Controller
Miguel Santana, City Administrative Officer
Antoinette Christovale, Director of Finance/City Treasurer
Holly L. Wolcott, City Clerk

CITY COUNCIL

Gilbert Cedillo (District 1)
Paul Krekorian (District 2)
Bob Blumenfield (District 3)
David E. Ryu (District 4)
Paul Koretz (District 5)
Nury Martinez (District 6)
Felipe Fuentes (District 7)
Marqueece Harris-Dawson (District 8)
Curran D. Price, Jr. (District 9)
Herb J. Wesson, Jr. (District 10)
Mike Bonin (District 11)
Mitchell Englander (District 12)
Mitch O'Farrell (District 13)
José Huizar (District 14)
Joe Buscaino (District 15)

BOARD OF AIRPORT COMMISSIONERS

Sean O. Burton, President
Valeria C. Velasco, Vice President
Gabriel L. Eshaghian, Commissioner
Jeffery J. Daar, Commissioner
Beatrice C. Hsu, Commissioner
Nolan V. Rollins, Commissioner
Cynthia A. Telles, Commissioner

LOS ANGELES WORLD AIRPORTS STAFF

Deborah Flint, Executive Director
Stephen C. Martin, Chief Operating Officer
Ryan Yakubik, Chief Financial Officer
Debbie Bowers, Deputy Executive Director, Commercial Development
Patrick M. Gannon, Deputy Executive Director, Homeland Security and Law Enforcement
Roger Johnson, Deputy Executive Director, Airports Development
Samson Mengistu, Deputy Executive Director, Administration
Cynthia Guidry, Deputy Executive Director, Capital Programming and Planning Group
Jacqueline Yaft, Deputy Executive Director, Operations and Emergency Management
Wei Chi, Deputy Executive Director, Comptroller
Dominic Nessi, Deputy Executive Director, Chief Information Officer
David Shuter, Deputy Executive Director, Facilities Maintenance and Utilities Group
Raymond S. Ilgunas, General Counsel

SENIOR TRUSTEE

The Bank of New York Mellon Trust Company, N.A.

BOND COUNSEL

Kutak Rock LLP

DISCLOSURE COUNSEL

Polsinelli LLP

CO-FINANCIAL ADVISORS

Public Resources Advisory Group, Public Financial Management, Inc. and
Backstrom McCarley Berry & Co., LLC

AIRPORT CONSULTANT

LeighFisher

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OFFICIAL STATEMENT

$324,325,000
DEPARTMENT OF AIRPORTS
OF THE CITY OF LOS ANGELES, CALIFORNIA
LOS ANGELES INTERNATIONAL AIRPORT

$296,475,000	$27,850,000
Senior Revenue Bonds	Senior Revenue Bonds
2015 Series D	2015 Series E
(AMT)	(Non-AMT)

INTRODUCTION

This introduction contains a summary of the offering and certain documents. Investors must read this Official Statement, including the appendices hereto, in its entirety.

General

The purpose of this Official Statement, which includes the cover page, the inside cover pages, the table of contents and the appendices of this Official Statement, is to provide certain information concerning the issuance by the Department of Airports (the "Department") of the City of Los Angeles, California (the "City"), acting through the Board of Airport Commissioners of the City (the "Board"), of its $296,475,000 Los Angeles International Airport, Senior Revenue Bonds, 2015 Series D (the "Series 2015D Senior Bonds"), and $27,850,000 Los Angeles International Airport, Senior Revenue Bonds, 2015 Series E (the "Series 2015E Senior Bonds" and together with the Series 2015D Senior Bonds, the "Series 2015DE Senior Bonds"). See also APPENDIX A – "REPORT OF THE AIRPORT CONSULTANT." Capitalized terms used but not defined herein have the meanings ascribed to them in APPENDIX C – "CERTAIN DEFINITIONS AND SUMMARIES OF THE MASTER SENIOR INDENTURE AND THE SIXTEENTH SUPPLEMENTAL SENIOR INDENTURE."

The City, the Department and the Airport System

The Department is designated a proprietary department of the City. The City is a municipal corporation and chartered city duly organized and existing under and pursuant to the provisions of the Constitution of the State of California (the "State") and the Charter of the City of Los Angeles. The City, acting through the Department, operates and maintains Los Angeles International Airport ("LAX"), LA/Ontario International Airport ("LA/ONT") and Van Nuys Airport ("VNY"). In addition, the Department maintains LA/Palmdale Regional Airport ("LA/PMD" and, collectively with LAX, LA/ONT and VNY, the "Airport System"), although LA/PMD is not currently certificated by the Federal Aviation Administration (the "FAA"). See "LITIGATION REGARDING THE AIRPORT SYSTEM AND THE DEPARTMENT – LA/ONT Litigation" with respect to certain litigation involving LA/ONT. The Department's fiscal year ("Fiscal Year") currently begins on July 1 and ends on June 30 of the immediately subsequent year. The City operates the Airport System as a financially self-sufficient enterprise, without General Fund support, through the Department under the supervision of the Board. The Department is governed by the seven-member Board, which is in possession, management and control of the Airport System. See "THE DEPARTMENT OF AIRPORTS."

Aviation Activity

According to Airports Council International ("ACI") statistics, in calendar year 2014, ACI statistics ranked LAX as the 5th busiest airport in the world and the 2nd busiest airport in North America in terms of total number of enplaned passengers, and 14th busiest airport in the world and 5th busiest airport in North America in terms of total cargo. According to the United States Department of Transportation Origins and Destinations Survey of Airline Passenger Traffic, August 2015, for Fiscal Year 2014, LAX ranked first nationally in number of domestic origin and destination passengers. LAX is classified by the FAA as a large hub airport. See "LOS ANGELES INTERNATIONAL AIRPORT" and APPENDIX A – "REPORT OF THE AIRPORT CONSULTANT – AIRLINE TRAFFIC AND ECONOMIC ANALYSIS – Airport Role – International Gateway."

Plan of Finance

The Series 2015DE Senior Bonds are being issued to (i) pay or reimburse the Department for a portion of the costs of the Series 2015DE Senior Bonds Projects (as defined below), (ii) make a deposit to the Senior Reserve

Fund, (iii) fund a portion of the interest accruing on the Series 2015DE Senior Bonds, and (iv) pay costs of issuance of the Series 2015DE Senior Bonds.

See "PLAN OF FINANCE," "DESCRIPTION OF THE SERIES 2015DE SENIOR BONDS" and APPENDIX A – "REPORT OF THE AIRPORT CONSULTANT."

Series 2015DE Senior Bonds

The Series 2015DE Senior Bonds are being issued pursuant to the Master Trust Indenture, dated as of April 1, 1995, as amended (the "Master Senior Indenture"), by and between the Department, acting through the Board, and The Bank of New York Mellon Trust Company, N.A., formerly known as The Bank of New York Trust Company, N.A., as successor in interest to BNY Western Trust Company, as successor in interest to U.S. Trust Company of California, N.A., as trustee (the "Senior Trustee"), and a Sixteenth Supplemental Trust Indenture, to be dated as of November 1, 2015 (the "Sixteenth Supplemental Senior Indenture," and together with the Master Senior Indenture and all supplements thereto, the "Senior Indenture"), by and between the Department, acting through the Board, and the Senior Trustee; Resolution No. 25552 adopted by the Board on November 6, 2014 and approved by the City Council of the City (the "City Council") and the Mayor of the City on December 16, 2014 and December 22, 2014, respectively (the "Authorizing Resolution"), and Resolution No. 25818 adopted by the Board on October 15, 2015 (the "Document Resolution" and together with the Authorizing Resolution, the "Resolutions"), authorizing the issuance of the Series 2015DE Senior Bonds; and under and in accordance with Section 609 of the Charter of the City of Los Angeles, relevant ordinances of the City and the Los Angeles Administrative Code (collectively, the "Charter"). The Document Resolution will not become final until five City Council meetings convened in regular session have passed. During those five City Council meetings, the City Council may, on a two-thirds vote, take up the matter. If the matter is taken up, the City Council may approve or veto the Document Resolution within 21 calendar days of taking up the matter in accordance with Section 245 of the Charter. If the City Council takes no action to assert jurisdiction over the action of the Board during those five meetings the Document Resolution shall become final.

The Series 2015DE Senior Bonds are secured by a pledge of and first lien on Net Pledged Revenues. "Net Pledged Revenues" means, for any given period, Pledged Revenues for such period, less, for such period, LAX Maintenance and Operations Expenses. Pledged Revenues generally includes certain income and revenue received by the Department from LAX but excludes any income and revenue from the Department's other airports. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015DE SENIOR BONDS." The Series 2015DE Senior Bonds are secured by a pledge of and lien on Net Pledged Revenues on a parity with the Existing Senior Bonds (as defined under "—Existing Senior Bonds" below), and any additional bonds or other obligations issued on parity with respect to Net Pledged Revenues with the Series 2015DE Senior Bonds and the Existing Senior Bonds under the terms and provisions of the Senior Indenture (the "Additional Senior Bonds").

For purposes of this Official Statement, "Senior Bonds" means the Series 2015DE Senior Bonds, the Existing Senior Bonds and any Additional Senior Bonds. As of the date of this Official Statement, the only obligations the Department has issued pursuant to the Senior Indenture are the Existing Senior Bonds. Net Pledged Revenues are available for the equal and proportionate benefit of all Senior Bonds and any other obligations issued on parity with respect to Net Pledged Revenues pursuant to the Senior Indenture. The Series 2015DE Senior Bonds are not secured by moneys held in any construction funds established under the Senior Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015DE SENIOR BONDS – Pledge of Net Pledged Revenues."

THE SERIES 2015DE SENIOR BONDS DO NOT CONSTITUTE OR EVIDENCE AN INDEBTEDNESS OF THE CITY OR A LIEN OR CHARGE ON ANY PROPERTY OR THE GENERAL REVENUES OF THE CITY. NEITHER THE FAITH AND THE CREDIT NOR THE TAXING POWER OF THE CITY, THE STATE OR ANY PUBLIC AGENCY, OTHER THAN THE DEPARTMENT, TO THE EXTENT OF THE NET PLEDGED REVENUES, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE SERIES 2015DE SENIOR BONDS. THE DEPARTMENT HAS NO POWER OF TAXATION. THE SERIES 2015DE SENIOR BONDS SHALL CONSTITUTE AND EVIDENCE AN OBLIGATION OF THE DEPARTMENT PAYABLE ONLY IN ACCORDANCE WITH SECTION 609(B) OF THE CHARTER AND ANY OTHER APPLICABLE PROVISIONS THEREOF. NONE OF THE PROPERTIES OF THE AIRPORT SYSTEM IS SUBJECT TO ANY MORTGAGE OR OTHER LIEN FOR THE BENEFIT OF THE OWNERS OF THE SERIES 2015DE SENIOR BONDS. THE DEPARTMENT IS UNDER NO OBLIGATION TO PAY THE SERIES 2015DE SENIOR BONDS,

EXCEPT FROM FUNDS IN THE LAX REVENUE ACCOUNT OF THE AIRPORT REVENUE FUND AND AS FURTHER SPECIFICALLY PROVIDED IN THE SENIOR INDENTURE. SEE "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015DE SENIOR BONDS."

Existing Senior Bonds

Pursuant to the Senior Indenture and the Charter, the Department, acting through the Board, has previously issued and, as of October 1, 2015, there were outstanding $3,309,685,000 aggregate principal amount of its:

- Los Angeles International Airport Senior Revenue Bonds, 2008 Series A (the "Series 2008 Senior Bonds");
- Los Angeles International Airport Senior Revenue Bonds, 2009 Series A (the "Series 2009A Senior Bonds");
- Los Angeles International Airport Senior Revenue Bonds, 2010 Series A (the "Series 2010A Senior Bonds");
- Los Angeles International Airport Senior Revenue Bonds, 2010 Series D (the "Series 2010D Senior Bonds" and together with the Series 2010A Senior Bonds, the "Series 2010 Senior Bonds");
- Los Angeles International Airport Senior Revenue Bonds 2012 Series A (the "Series 2012A Senior Bonds");
- Los Angeles International Airport Senior Revenue Bonds 2012 Series B (the "Series 2012B Senior Bonds");
- Los Angeles International Airport Senior Revenue Bonds 2012 Series C (the "Series 2012C Senior Bonds" and, together with the Series 2012A Senior Bonds and the Series 2012B Senior Bonds and the Series 2012C Senior Bonds, the "Series 2012 Senior Bonds");
- Los Angeles International Airport Senior Revenue Bonds 2013 Series A (the "Series 2013A Senior Bonds");
- Los Angeles International Airport Senior Revenue Bonds, 2015 Series A (the "Series 2015A Senior Bonds'); and
- Los Angeles International Airport Senior Revenue Bonds, 2015 Series B (the "Series 2015B Senior Bonds" and together with the Series 2015A Senior Bonds, the "Series 2015 Senior Bonds" and collectively with the Series 2008 Senior Bonds, the Series 2009A Senior Bonds, the Series 2010 Senior Bonds and the Series 2012 Senior Bonds, the Series 2013A Senior Bonds, the "Existing Senior Bonds").

The Existing Senior Bonds are secured by a pledge of and first lien on the Net Pledged Revenues on parity with the Series 2015DE Senior Bonds. See "OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE – Senior Bonds."

Existing Subordinate Obligations

In addition to the Senior Bonds, the Department has outstanding certain Subordinate Obligations (as defined below) which are secured by a pledge of and first lien on Subordinate Pledged Revenues. "Subordinate Pledged Revenues" means for a given period, the Pledged Revenues for such period, less, for such period, the LAX Maintenance and Operation Expenses, less, for such period, the Senior Aggregate Annual Debt Service on the Outstanding Senior Bonds, less, for such period, deposits to any reserve fund or account required pursuant to the Senior Indenture. Subordinate Obligations are issued pursuant to the terms and provisions of the Master Subordinate Indenture dated December 1, 2002, as amended and supplemented (the "Subordinate Indenture"), by and between the Department and U.S. Bank National Association, as trustee (the "Subordinate Trustee").

For purposes of this Official Statement, "Subordinate Bonds" means the Existing Subordinate Bonds (as defined below) and any additional Subordinate Bonds issued pursuant to the Subordinate Indenture. For purposes of this Official Statement, "Subordinate Obligations" means the Subordinate Bonds, the Subordinate Commercial Paper Notes (as defined below), the payment obligations of the Department under the CP Reimbursement Agreements (as defined herein) and any additional Subordinate Obligations issued pursuant to the provisions of the Subordinate Indenture.

Existing Subordinate Bonds

Pursuant to the Subordinate Indenture and the Charter, the Department has previously issued and, as of October 1, 2015, there were outstanding $797,275,000 aggregate principal amount of its:

- Los Angeles International Airport, Subordinate Revenue Bonds, 2008 Series C (the "Series 2008C Subordinate Bonds");

- Los Angeles International Airport, Subordinate Revenue Bonds, 2009 Series C (the "Series 2009C Subordinate Bonds");

- Los Angeles International Airport, Subordinate Refunding Revenue Bonds, 2009 Series E (the "Series 2009E Subordinate Bonds" and collectively with the Series 2009C Subordinate Bonds, the "Series 2009 Subordinate Bonds");

- Los Angeles International Airport, Subordinate Revenue Bonds, 2010 Series B (the "Series 2010B Subordinate Bonds");

- Los Angeles International Airport, Subordinate Revenue Bonds, 2010 Series C (the "Series 2010C Subordinate Bonds" and together with the Series 2010B Subordinate Bonds, the "Series 2010 Subordinate Bonds");

- Los Angeles International Airport, Subordinate Revenue Bonds, 2013 Series B (the "Series 2013B Subordinate Bonds"); and

- Los Angeles International Airport, Subordinate Revenue Refunding Bonds, 2015 Series C (the "Series 2015C Subordinate Bonds") and collectively with the Series 2008C Subordinate Bonds, the Series 2009 Subordinate Bonds, the Series 2010 Subordinate Bonds and the Series 2013B Subordinate Bonds, the "Existing Subordinate Bonds"). See "OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE – Subordinate Bonds and Subordinate Commercial Paper Notes."

Subordinate Commercial Paper Notes

Pursuant to the Subordinate Indenture, the Department is authorized to issue and have outstanding, at any one time, its Los Angeles International Airport, Subordinate Revenue Commercial Paper Notes, Series A (Governmental – Non-AMT), Series B (Private Activity – AMT), Series C (Federally Taxable) and Series D (Private Activity – Non-AMT) (collectively, the "Subordinate Commercial Paper Notes") in a maximum aggregate principal amount not exceeding $500,000,000 (subject to certain conditions). As of October 1, 2015, Subordinate Commercial Paper Notes were outstanding with a maturity value of approximately $50.2 million.

Investment Considerations

The purchase and ownership of the Series 2015DE Senior Bonds involve investment risks. Prospective purchasers of the Series 2015DE Senior Bonds should read this Official Statement in its entirety. For a discussion of certain risks relating to the Series 2015DE Senior Bonds, see "CERTAIN INVESTMENT CONSIDERATIONS."

Continuing Disclosure

In connection with the issuance of the Series 2015DE Senior Bonds, the Department will covenant for the benefit of the owners of the Series 2015DE Senior Bonds to provide annually certain financial information and operating data concerning the Department to the Municipal Securities Rulemaking Board ("MSRB") and notice of certain enumerated events, pursuant to the requirements of Rule 15c2-12 adopted by the Securities and Exchange Commission ("Rule 15c2-12").

See "CONTINUING DISCLOSURE" and APPENDIX F – "FORM OF CONTINUING DISCLOSURE CERTIFICATE."

Report of the Airport Consultant

Included as APPENDIX A to this Official Statement is a Report of the Airport Consultant dated October 27, 2015 prepared by LeighFisher (the "Airport Consultant") in connection with the issuance of the Series 2015DE Senior Bonds (the "Report of the Airport Consultant"). See APPENDIX A – "REPORT OF THE AIRPORT CONSULTANT."

The Report of the Airport Consultant includes, among other things, descriptions of: the underlying economic, demographic base of and economic outlook for LAX's Airport Service Region (as defined herein); air traffic activity at LAX, including the role of LAX in LAX's Airport Service Region, regional demand, airlines serving LAX, historical LAX activity, factors affecting aviation demand and the airline industry and the Airport Consultant's forecasts for air traffic activity at LAX through Fiscal Year 2021 and the assumptions upon which such forecasts are based; existing LAX facilities and the Department's capital plan, including the Series 2015DE Senior Bonds Projects (as defined below), the Other Committed and Planned Projects (as defined below) and Preliminary Stage Projects (as defined below); financial analysis, including the Department's financing plan, including assumptions and analysis regarding the Department's expected use of, Transportation Security Administration ("TSA") grants, Airport Improvement Program ("AIP") grants, Department funds, PFC revenues (as defined below), Series 2015DE Senior Bonds proceeds, future bond proceeds and other funds; LAX Maintenance and Operation Expenses; LAX Revenues; the Airport Consultant's forecasts of debt service, expenses and revenues through Fiscal Year 2021; a description of the assumptions upon which such forecasts were based.

No assurances can be given that the forecasts and expectations discussed in the Report of the Airport Consultant will be achieved or that the assumptions upon which the forecasts are based will be realized. The Report of the Airport Consultant has not been revised to reflect the final terms of the Series 2015DE Senior Bonds. The Report of the Airport Consultant is an integral part of this Official Statement and should be read in its entirety for an explanation of the assumptions and forecasts used therein. The financial forecasts in the Report of the Airport Consultant are based upon certain information and assumptions that were provided or reviewed and agreed to by the Department. In the opinion of the Airport Consultant, these assumptions provide a reasonable basis for financial forecasts. See "—Forward-Looking Statements," "CERTAIN INVESTMENT CONSIDERATIONS – Assumptions in the Report of the Airport Consultant," "FINANCIAL AND OPERATING INFORMATION CONCERNING LAX – Report of Airport Consultant; Projected Debt Service Coverage" and APPENDIX A – "REPORT OF THE AIRPORT CONSULTANT."

Forward-Looking Statements

The statements contained in this Official Statement, including the appendices that are not purely historical, are forward-looking statements, including statements regarding the Department's or the Board's expectations, hopes, intentions or strategies regarding the future. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget," "project," "forecast," "will likely result", "are expected to," "will continue," "is anticipated," "intend" or other similar words. Prospective investors should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the Department and the Board on the date hereof, and the Department and the Board assume no obligation to update any such forward-looking statements with new forward-looking statements. It is important to note that the Department's actual results likely will differ, and could differ materially, from those in such forward-looking statements.

The forward-looking statements herein are based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including airlines, customers, suppliers and competitors, among others, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the Department and the Board. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

Changes from the Preliminary Official Statement

This Official Statement includes certain information, which was not available for inclusion in the Preliminary Official Statement dated October 27, 2015, including the Annual Financial Report of Los Angeles World Airports (Department of Airports of the City of Los Angeles, California) Los Angeles International Airport for the Fiscal Years Ended June 30, 2015 and 2014 (See APPENDIX B – "ANNUAL FINANCIAL REPORT OF LOS ANGELES WORLD AIRPORTS (DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES, CALIFORNIA) LOS ANGELES INTERNATIONAL AIRPORT FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014") and information relating to the principal amounts, maturity dates, interest rates, prices and other terms of the Series 2015DE Senior Bonds.

Additional Information

Brief descriptions of the Series 2015DE Senior Bonds, the Senior Indenture and certain other documents are included in this Official Statement and the appendices hereto. Such descriptions do not purport to be comprehensive or definitive. All references herein to such documents and any other documents, statutes, laws, reports or other instruments described herein are qualified in their entirety by reference to each such document, statute, law, report or other instrument. Information contained herein has been obtained from officers, employees and records of the Department and from other sources believed to be reliable. The information herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Department or LAX since the date hereof. This Official Statement is not to be construed as a contract or agreement between the Department and purchasers or owners of any of the Series 2015DE Senior Bonds. The Department maintains certain websites and social media accounts, the information on which is not part of this Official Statement, is not incorporated by reference herein and should not be relied upon in deciding whether to invest in the Series 2015DE Senior Bonds.

PLAN OF FINANCE

General

The Series 2015DE Senior Bonds are being issued to (i) pay or reimburse the Department for a portion of the costs of the Series 2015DE Senior Bonds Projects, (ii) make a deposit to the Senior Reserve Fund, (iii) fund a portion of the interest accruing on the Series 2015DE Senior Bonds, and (iv) pay costs of issuance of the Series 2015DE Senior Bonds.

The Series 2015DE Senior Bonds Projects

The "Series 2015DE Senior Bonds Projects" consist of the following and are described in more detail in APPENDIX A – "REPORT OF THE AIRPORT CONSULTANT – AIRPORT CAPITAL PROGRAM AND FUNDING – Summary of the Capital Program – Series 2015DE Senior Bond Projects."

Bradley West Interior Enhancements Project

The Bradley West Interior Enhancements Project includes, among other things, the redevelopment, reconfiguration, or demolition of building areas remaining from the original Tom Bradley International Terminal ("TBIT") building. Modifications include enlargement and reconfiguration of original main terminal space, demolition of the original TBIT concourses and aprons, the enlargement of original Federal Inspection Services ("FIS") space, and reconfiguration of the passenger screening checkpoint. The total estimated cost of the Bradley West Interior Enhancements Project is approximately $371 million.

Second Level Roadway and New Face of the Central Terminal Area Project

The Second Level Roadway and New Face of the Central Terminal Area Project includes, among other things, traffic safety and roadway improvements to the second level roadway in the Central Terminal Area (as defined herein) and other roads in the area, as well as an upgraded LED street lighting system, and new fronts for certain of the terminals. The total estimated cost of the Second Level Roadway and New Face of the Central Terminal Area Project is approximately $116 million.

Terminal 1 Improvement Project

The Terminal 1 Improvement Project includes, among other things, the phased reconstruction of substantially all of Terminal 1, including the development of a new centralized 12-lane passenger security checkpoint, a new checked baggage inspection system, and redeveloped public areas, holdrooms and gate areas, airline operations space, and adjacent apron areas. Southwest Airlines is funding and undertaking these improvements, which will be purchased by the Department from Southwest Airlines for the agreed upon cost of the project (less approximately $16.1 million to be paid by Southwest Airlines for tenant specific improvements), in phases when they are complete. The total estimated cost of all phases of the Terminal 1 Improvement Project is approximately $526 million. See also "USE OF AIRPORT FACILITIES – Department Acquisition of Certain Terminal Improvements; Credits."

Terminal 2 Improvements Project

The Terminal 2 Improvements Project includes, among other things, the phased redevelopment of portions of Terminal 2, including the ticketing lobby, baggage claim areas, baggage screening, concourse areas, and building systems. The total estimated cost of the Terminal 2 Improvements Project is approximately $216 million.

Terminal 5 Improvements Project

The Terminal 5 Improvements Project includes, among other things, the phased redevelopment of portions of Terminal 5, including a new checked baggage screening system, a new outbound baggage system, renovated Customs and Border Protection areas for screening arriving international passengers, renovated ticketing lobby, baggage claim areas, and passenger security checkpoints, and the replacement of 13 passenger boarding bridges. Delta Air Lines is funding and undertaking these improvements, which will be purchased by the Department from Delta Air Lines for the agreed upon cost of the project (less approximately $11.8 million to be paid by Delta Air Lines for tenant specific improvements) in phases when they are complete. The total estimated cost of all phases of the Terminal 5 Improvements Project is approximately $201 million. See also "USE OF AIRPORT FACILITIES – Department Acquisition of Certain Terminal Improvements; Credits."

Terminals 6/7/8 Improvements Project

The Terminals 6/7/8 Improvements Project includes, among other things, the phased redevelopment of portions of Terminals 6, 7, and 8, including a new checked baggage screening system and baggage sorting system, and renovated baggage claim areas, passenger security checkpoints, and airline office areas; the replacement of passenger boarding bridges, and the construction of a new club room for use by United Airlines' premium passengers. United Airlines is funding and undertaking these improvements, which will be purchased by the Department from United Airlines for the agreed upon cost of the project (less approximately $21.2 million to be paid by United Airlines for tenant specific improvements) in phases when they are complete. The total estimated cost of all phases of the Terminals 6/7/8 Improvements Project is approximately $538 million. See also "USE OF AIRPORT FACILITIES – Department Acquisition of Certain Terminal Improvements; Credits."

Terminal Commercial Management Acquisitions Project

As described in more detail under "USE OF AIRPORT FACILITIES – Concession and Parking Agreements – Terminal Commercial Manager Concessions," the Department has entered into the Westfield Concession Agreements (as defined below) for concession development in TBIT and Terminals 1, 2, 3 and 6. The Terminal Commercial Management Acquisitions Project includes, among other things, the development of certain public use areas in Terminals 1, 2, 3, 6, and TBIT, including public seating, restroom facilities, and common area enhancements. Under the terms of the Westfield Concession Agreements, Westfield is funding and undertaking these improvements, which will be purchased by the Department in phases when they are complete. The total estimated cost of all phases of the Terminal Commercial Management Acquisitions Project is approximately $145 million.

The Series 2015DE Senior Bonds Projects are expected to be financed with a combination of grants, Department and other funds, and the proceeds of the Series 2015DE Senior Bonds, Existing Senior Bonds, Existing Subordinate Obligations, Additional Senior Bonds and/or additional Subordinate Obligations. See "CAPITAL PLANNING – Capital Financing."

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of the funds with respect to the Series 2015DE Senior Bonds described in the table below:

SOURCES:	Series 2015D Senior Bonds	Series 2015E Senior Bonds	Total
Principal Amount	$ 296,475,000.00	$ 27,850,000.00	$ 324,325,000.00
Original Issue Premium	40,752,862.05	4,541,612.90	45,294,474.95
TOTAL:	$ 337,227,862.05	$ 32,391,612.90	$ 369,619,474.95
USES:			
Deposit to Senior Construction Fund(1)	$ 307,943,000.00	$ 30,000,000.00	$ 337,943,000.00
Deposit to Senior Interest Account(2)	5,452,520.84	99,961.67	5,552,482.51
Deposit to Senior Reserve Fund	21,780,484.12	2,092,072.12	23,872,556.24
Costs of Issuance(3)	2,051,857.09	199,579.11	2,251,436.20
TOTAL:	$ 337,227,862.05	$ 32,391,612.90	$ 369,619,474.95

(1) To be used to pay a portion of the costs of the Series 2015DE Senior Bonds Projects.
(2) Represents a portion of the interest accruing on the Series 2015DE Senior Bonds.
(3) Includes legal fees, underwriters' discount, trustee fees, financial advisory fees, consultant fees, rating agencies' fees, printing costs, and other costs of issuance.

DESCRIPTION OF THE SERIES 2015DE SENIOR BONDS

General

The Series 2015DE Senior Bonds will bear interest at the rates and mature, subject to redemption prior to maturity, on the dates set forth on the inside front cover page of this Official Statement. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Series 2015DE Senior Bonds will be dated their date of delivery and bear interest from that date payable semi-annually on May 15 and November 15 of each year, commencing May 15, 2016 (each an "Interest Payment Date"). Interest due and payable on the Series 2015DE Senior Bonds on any Interest Payment Date will be payable to the person who is the registered owner as of the Record Date (DTC, so long as the book-entry system with DTC is in effect). Each Series 2015DE Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof unless such date of authentication is an Interest Payment Date, in which event such Series 2015DE Bond will bear interest from such date of authentication, or unless such date of authentication is after a Record Date and before the next succeeding Interest Payment Date, in which event such Series 2015DE Bond will bear interest from such succeeding Interest Payment Date, or unless such date of authentication is on or before May 1, 2016, in which event such Series 2015DE Bond will bear interest from its date of delivery. If interest on the Series 2015DE Senior Bonds is in default, Series 2015DE Senior Bonds issued in exchange for Series 2015DE Senior Bonds surrendered for transfer or exchange will bear interest from the last Interest Payment Date to which interest has been paid in full on the Series 2015DE Senior Bonds surrendered.

The Series 2015DE Senior Bonds are being issued in denominations of $5,000 and integral multiples thereof ("Authorized Denominations"), in fully registered form in the name of Cede & Co., as registered owner and nominee of DTC. DTC will act as securities depository for the Series 2015DE Senior Bonds. Individual purchases may be made in book-entry form only. Purchasers will not receive certificates representing their interest in the Series 2015DE Senior Bonds purchased. So long as Cede & Co., as nominee of DTC, is the registered owner of the Series 2015DE Senior Bonds, references herein to the Bondholders or registered owners means Cede & Co. and does not mean the Beneficial Owners of the Series 2015DE Senior Bonds.

So long as Cede & Co. is the registered owner of the Series 2015DE Senior Bonds, the principal and redemption price of and interest on the Series 2015DE Senior Bonds are payable by wire transfer by the Senior Trustee to Cede & Co., as nominee for DTC, which is required, in turn, to remit such amounts to the Direct and Indirect Participants (as defined herein) for subsequent disbursement to the Beneficial Owners. See APPENDIX E – "BOOK ENTRY ONLY SYSTEM."

Redemption Provisions

Optional Redemption

Series 2015D Senior Bonds. The Series 2015D Senior Bonds maturing on or before May 15, 2025 are not subject to optional redemption prior to maturity. The Series 2015D Senior Bonds maturing on or after May 15, 2026 are redeemable at the option of the Department on or after May 15, 2025, in whole or in part at any time, from any moneys that may be provided for such purpose and at a redemption price equal to 100% of the principal amount of the Series 2015D Senior Bonds to be redeemed plus accrued interest to the date fixed for redemption, without premium.

Series 2015E Senior Bonds. The Series 2015E Senior Bonds maturing on or before May 15, 2025 are not subject to optional redemption prior to maturity. The Series 2015E Senior Bonds maturing on or after May 15, 2026 are redeemable at the option of the Department on or after May 15, 2025, in whole or in part at any time, from any moneys that may be provided for such purpose and at a redemption price equal to 100% of the principal amount of the Series 2015E Senior Bonds to be redeemed plus accrued interest to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption

The Series 2015D Senior Bonds maturing on May 15, 2041 (the "Series 2015D Senior Term Bonds") are subject to mandatory sinking fund redemption in part, by lot, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium, on May 15 of the following years and in the following principal amounts:

Series 2015D Senior Term Bonds

Redemption Date (May 15)	Principal Amount
2037	$ 17,990,000
2038	18,885,000
2039	19,835,000
2040	20,820,000
2041†	30,815,000

† Final Maturity

At the option of the Department, to be exercised by delivery of a written certificate to the Senior Trustee, on or before the 60th day next preceding any mandatory sinking fund redemption date for the Series 2015D Senior Term Bonds, it may (a) deliver to the Senior Trustee for cancellation Series 2015D Senior Term Bonds or portions thereof (in Authorized Denominations) purchased in the open market or otherwise acquired by the Department or (b) specify a principal amount of Series 2015D Senior Term Bonds or portions thereof (in Authorized Denominations) which prior to said date have been optionally redeemed and previously cancelled by the Senior Trustee, at the request of the Department and not theretofore applied as a credit against any mandatory sinking fund redemption requirement. Each such Series 2015D Senior Term Bond or portion thereof so purchased, acquired or optionally redeemed and delivered to the Senior Trustee, for cancellation will be credited by the Senior Trustee, at 100% of the principal amount thereof against the obligation of the Department to pay the principal of such applicable Series 2015D Senior Term Bonds, on such mandatory sinking fund redemption date.

The Series 2015E Senior Bonds maturing on May 15, 2041 (the "Series 2015E Senior Term Bonds", and together with the Series 2015D Senior Term Bonds, the "Series 2015DE Senior Term Bonds") are subject to mandatory sinking fund redemption in part, by lot, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium, on May 15 of the following years and in the following principal amounts:

Series 2015E Senior Term Bonds

Redemption Date (May 15)	Principal Amount
2037	$ 375,000
2038	390,000
2039	410,000
2040	435,000
2041†	455,000

† Final Maturity

At the option of the Department, to be exercised by delivery of a written certificate to the Senior Trustee, on or before the 60th day next preceding any mandatory sinking fund redemption date for the Series 2015E Senior Term Bonds, it may (a) deliver to the Senior Trustee for cancellation the Series 2015E Senior Term Bonds or portions thereof (in Authorized Denominations) purchased in the open market or otherwise acquired by the Department or (b) specify a principal amount of Series 2015E Senior Term Bonds or portions thereof (in Authorized Denominations) which prior to said date have been optionally redeemed and previously cancelled by the Senior Trustee, at the request of the Department and not theretofore applied as a credit against any mandatory sinking fund redemption requirement. Each such Series 2015E Senior Term Bond or portion thereof so purchased, acquired or optionally redeemed and delivered to the Senior Trustee, for cancellation will be credited by the Senior Trustee, at 100% of the principal amount thereof against the obligation of the Department to pay the principal of the Series 2015E Senior Term Bonds, on such mandatory sinking fund redemption date.

Notices of Redemption

The Senior Trustee is required to give notice of redemption, in the name of the Board, to Bondholders affected by redemption (or DTC, so long as the book-entry system with DTC is in effect) at least 30 days but not more than 60 days before each redemption date and send such notice of redemption by first class mail (or with respect to the Series 2015DE Senior Bonds, held by DTC by an express delivery service for delivery on the next following Business Day) to each Holder of the applicable Series 2015D Senior Bond or Series 2015E Senior Bond, to be redeemed; each such notice will be sent to the Holder's registered address.

Each notice of redemption will specify the date of issue, the applicable Series, the maturity date, the interest rate and the CUSIP number of the applicable Series 2015DE Senior Bonds to be redeemed, if less than all of the Series 2015DE Senior Bonds, of a Series, maturity date and interest rate are called for redemption, the numbers assigned to such Series 2015DE Senior Bonds to be redeemed, the principal amount to be redeemed, the date fixed for redemption, the redemption price, the place or places of payment, that payment will be made upon presentation and surrender of the applicable Series 2015DE Senior Bonds to be redeemed, that interest, if any, accrued to the date fixed for redemption and not paid, will be paid as specified in said notice, and that on and after said date interest thereon will cease to accrue.

Failure to give any required notice of redemption as to any particular Series 2015DE Bond, will not affect the validity of the call for redemption of such Series 2015DE Bond, in respect of which no failure occurs. Any notice sent as provided in the Sixteenth Supplemental Senior Indenture will be conclusively presumed to have been given whether or not actually received by the addressee. When notice of redemption is given, Series 2015DE Senior Bonds called for redemption become due and payable on the date fixed for redemption at the applicable redemption price except as otherwise provided in the Senior Indenture. In the event that funds are deposited with the Senior Trustee sufficient for redemption, interest on the Series 2015DE Senior Bonds to be redeemed will cease to accrue on and after the date fixed for redemption.

Upon surrender of a Series 2015DE Bond, to be redeemed in part only, the Senior Trustee will authenticate for the holder a new Series 2015DE Bond, of the same Series, maturity date and interest rate equal in principal amount to the unredeemed portion of the Series 2015DE Bond surrendered.

The Department may provide that if at the time of mailing of notice of an optional redemption there has not been deposited with the Senior Trustee moneys sufficient to redeem all the Series 2015D Senior Bonds or the Series 2015E Senior Bonds, as applicable, called for redemption, such notice may state that it is conditional and subject to the deposit of the redemption moneys with the Senior Trustee not later than the opening of business one Business Day prior to the scheduled redemption date, and such notice will be of no effect unless such moneys are so deposited. In the event sufficient moneys are not on deposit by the opening of business one Business Day prior to the scheduled redemption date, then the redemption will be cancelled and on such cancellation date notice of such cancellation will be mailed to the holders of such Series 2015D Senior Bonds or Series 2015E Senior Bonds, as applicable.

Effect of Redemption

On the date so designated for redemption, notice having been given in the manner and under the conditions provided in the Sixteenth Supplemental Senior Indenture and sufficient moneys for payment of the redemption price being held in trust by the Senior Trustee to pay the redemption price, interest on such Series 2015D Senior Bonds or Series 2015E Senior Bonds, as applicable, will cease to accrue from and after such redemption date, such Series 2015D Senior Bonds or Series 2015E Senior Bonds, as applicable, will cease to be entitled to any lien, benefit or security under the Senior Indenture and the owners of such Series 2015D Senior Bonds or Series 2015E Senior Bonds, as applicable, will have no rights in respect thereof except to receive payment of the redemption price. Series 2015D Senior Bonds or Series 2015E Senior Bonds, as applicable, which have been duly called for redemption and for the payment of the redemption price of which moneys will be held in trust for the holders of the respective Series 2015D Senior Bonds or Series 2015E Senior Bonds, as applicable, to be redeemed, all as provided in the Sixteenth Supplemental Senior Indenture will not be deemed to be Outstanding under the provisions of the Senior Indenture.

Selection of the Series 2015DE Senior Bonds for Redemption; Series 2015DE Senior Bonds Redeemed in Part

Redemption of the Series 2015DE Senior Bonds, will only be in Authorized Denominations. The Series 2015DE Senior Bonds are subject to redemption in such order of maturity and interest rate within a Series (except mandatory sinking fund payments on the Series 2015DE Senior Term Bonds) as the Department may direct and by lot, within such Series, maturity and interest rate selected in such manner as the Senior Trustee (or DTC, as long as DTC is the securities depository for the Series 2015DE Senior Bonds), deems appropriate.

Except as otherwise provided under the procedures of DTC, on or before the 45th day prior to any mandatory sinking fund redemption date, the Senior Trustee will proceed to select for redemption (by lot in such manner as the Senior Trustee may determine), from the Series 2015D Senior Term Bonds or the Series 2015E Senior Term Bonds, as applicable, an aggregate principal amount of the Series 2015D Senior Term Bonds or the Series 2015E Senior Term Bonds, as applicable, equal to the amount for such year as set forth in the table under "Mandatory Sinking Fund Redemption" above and will call the Series 2015D Senior Term Bonds or the Series 2015E Senior Term Bonds, as applicable, or portions thereof (in Authorized Denominations) for redemption and give notice of such call.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015DE SENIOR BONDS

Flow of Funds

Pursuant to Section 635 of the Charter of the City, all fees, charges, rentals and revenue from every source collected by the Department in connection with its possession, management and control of its assets are deposited in the City Treasury to the credit of the Airport Revenue Fund. Pursuant to the Charter and the Master Senior Indenture, the Department has established the LAX Revenue Account in the Airport Revenue Fund and has covenanted to deposit all LAX Revenues in such account and such LAX Revenues will immediately upon receipt thereof become subject to the lien and pledge of the Senior Indenture. The Department has notified the City Treasurer of the pledge of, lien on and interest in LAX Revenues granted by the Senior Indenture and has instructed the City Treasurer that all such LAX Revenues are to be accounted for separately and apart from all other revenues, funds, accounts or other resources of the Department or the City.

The Master Senior Indenture generally defines "LAX Revenues" to mean, except to the extent specifically excluded therefrom, all income, receipts, earnings and revenues received by the Department from LAX, for any given period, as determined in accordance with generally accepted accounting principles, as modified from time to time, including, but not limited to: (a) rates, tolls, fees, rentals, charges and other payments made to or owed to the Department for the use or availability of property or facilities at LAX; and (b) amounts received or owed from the sale or provision of supplies, materials, goods and services provided by or made available by the Department at LAX, including Facilities Construction Credits, and rental or business interruption insurance proceeds, received by, held by, accrued to or entitled to be received by the Department or any successor thereto from the possession, management, charge, superintendence and control of LAX (or any LAX Airport Facilities or activities or undertakings related thereto) or from any other facilities wherever located with respect to which the Department receives payments which are attributable to LAX Airport Facilities or activities or undertakings related thereto. LAX Revenues include all income, receipts and earnings from the investment of amounts held in the LAX Revenue Account, any Senior or Subordinate Construction Fund allowed to be pledged by the terms of a Supplemental Senior Indenture, the Senior Reserve Fund, any other Senior Debt Service Reserve Fund, and allocated earnings on the Maintenance and Operations Reserve Fund.

The Senior Bonds (including the Series 2015DE Senior Bonds) are limited obligations of the Department payable solely from and secured solely by (a) a pledge of Net Pledged Revenues, and (b) certain funds and accounts held by the Senior Trustee.

The Master Senior Indenture generally defines "Net Pledged Revenues" to mean, for any given period, Pledged Revenues for such period, less, for such period, LAX Maintenance and Operation Expenses.

The Master Senior Indenture generally defines "Pledged Revenues" to mean, except to the extent specifically excluded in the Senior Indenture or under the terms of any supplemental indenture (only with respect to the series of bonds issued pursuant to such supplemental indenture), "LAX Revenues." Pledged Revenues also include any additional revenues designated as Pledged Revenues pursuant to a Supplemental Senior Indenture. To date, the Department has not designated any additional revenues as Pledged Revenues. The following, including any investment earnings thereon, are specifically excluded from Pledged Revenues: (a) any amounts received by the Department from the imposition of ad valorem taxes; (b) gifts, grants and other income (including any investment earnings thereon) otherwise included in LAX Revenues which are restricted by their terms to purposes inconsistent with the payment of debt service on the Senior Bonds; (c) Net Proceeds or other insurance proceeds received as a result of damage to or destruction of LAX Airport Facilities or any condemnation award or amounts received by the Department from the sale of LAX Airport Facilities under the threat of condemnation, to the extent the use of such Net Proceeds or other proceeds is restricted by the terms of the policy under which they are paid, to a use inconsistent with the payment of debt service on the Senior Bonds, (d) any Transfer (as defined herein) and (e) LAX Special Facilities Revenue (as defined herein). In addition, the following, including any investment earnings thereon, are excluded from Pledged Revenues, unless designated as Pledged Revenues under the terms of a Supplemental Senior Indenture: (i) Senior Swap Termination Payments paid to the Department pursuant to a Senior Qualified Swap; (ii) Facilities Construction Credits; (iii) Passenger Facility Charges collected with respect to LAX ("PFC revenues"), unless otherwise pledged under the terms of any Supplemental Senior Indenture; (iv) Customer Facility Charges, unless otherwise pledged under the terms of the any Supplemental Senior Indenture (provided that only Customer Facility Charges in respect of LAX may be pledged); (v) unless otherwise pledged, all revenues of the Airport System not related to LAX; and (vi) Released LAX Revenues. Senior Swap Termination Payments, Facilities Construction Credits, PFC revenues, Customer Facility Charges, other revenues of the Airport System not related to LAX and Released LAX Revenues have not been designated as Pledged Revenues under the terms of any Supplemental Senior Indenture.

The Master Senior Indenture requires that Pledged Revenues credited to the LAX Revenue Account be applied as follows and in the order set forth below:

FIRST, to the payment of LAX Maintenance and Operation Expenses for the Airport System that are payable from LAX Revenues, which include payments to the City for services provided by it to LAX;

SECOND, to the payment of amounts required to be deposited in the Senior Debt Service Funds for the Senior Bonds (including the Series 2015DE Senior Bonds) pursuant to the Master Senior Indenture and any Supplemental Senior Indenture;

THIRD, to the payment of amounts required to be deposited in the Senior Reserve Fund and any other Senior Debt Service Reserve Fund pursuant to the Master Senior Indenture and any Supplemental Senior Indenture;

FOURTH, to the payment of Subordinate Obligations, pursuant to the Master Subordinate Indenture and any Supplemental Subordinate Indenture;

FIFTH, to the payment of amounts required to be deposited in any debt service reserve fund established for the Subordinate Obligations pursuant to any Supplemental Subordinate Indenture;

SIXTH, to the payment of Third Lien Obligations, if any, but only to the extent a specific pledge of Pledged Revenues has been made in writing to the payment of such Third Lien Obligations;

SEVENTH, to the payment of any reserve requirement for the Third Lien Obligations, if any, but only to the extent a specific pledge of Pledged Revenues has been made in writing to the payment of any such reserve requirement on such Third Lien Obligations;

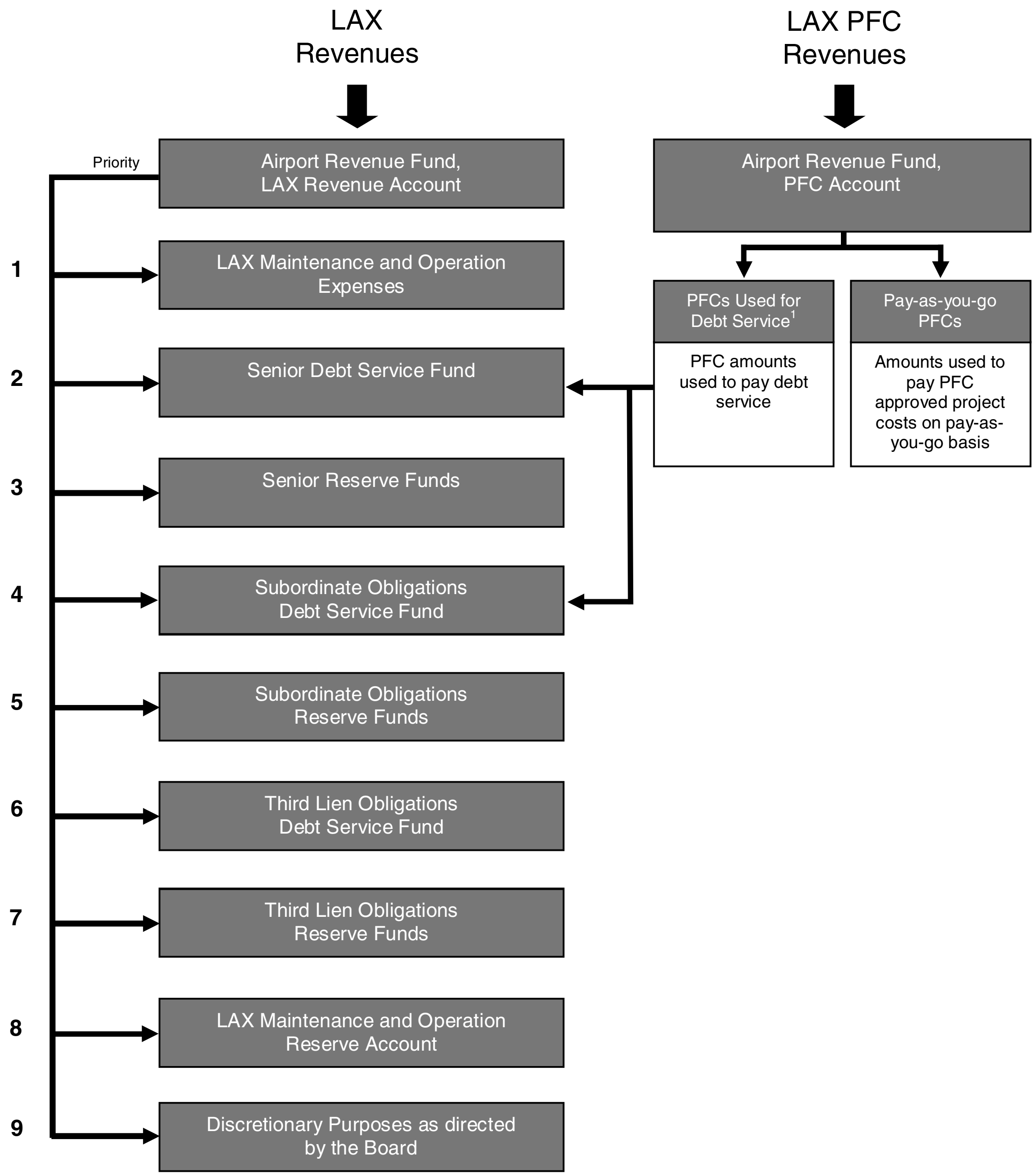
EIGHTH, to the payment of the amounts required to be deposited in the LAX Maintenance and Operation Reserve Account which are payable from LAX Revenues as determined by the Department. The Department has covenanted to fund the Maintenance and Operation Reserve Account each Fiscal Year in an amount which, when added to any moneys in such account, will be equal to not less than 25% nor more than 50% of the budgeted LAX Maintenance and Operation Expenses for the current Fiscal Year; and

NINTH, to the payment of such amounts as are directed by the Department for discretionary purposes as authorized by the Charter which include capital projects, defraying the expenses of any pension or retirement system applicable to the employees of the Department, defraying the Maintenance and

Operation Expenses of the Airport System, for reimbursement to another department or office of the City on account of services rendered, or materials, supplies or equipment furnished to support purposes of the Department and for any other lawful purpose of the Department, but only to the extent any such purposes relate to LAX.

The following is a graphic description of the flow of funds described above and the flow of PFC revenues. See "—Passenger Facility Charges."

FLOW OF LAX REVENUES AND LAX PFC REVENUES



(1) Pledged Revenues do not include PFC revenues unless otherwise included in Pledged Revenues pursuant to a Supplemental Senior Indenture. To date, the Department has not elected, and the Department has no current plans to elect, to include PFC revenues in Pledged Revenues nor otherwise pledge PFC revenues to the payment of the Senior Bonds or the Subordinate Obligations. However, the Department expects to use PFC revenues to pay a portion of the debt service on PFC Eligible Obligations (as defined herein). See "CAPITAL PLANNING – Capital Financing – Passenger Facility Charges" for additional information about the Department's expected use of PFC revenues.

With respect to the application of Pledged Revenues described in paragraphs FIRST, EIGHTH and NINTH above (i.e., to fund LAX Maintenance and Operation Expenses, the deposits to the LAX Maintenance and Operation Reserve Account, and for the discretionary purposes as directed by the Board), the Department need apply only such amount of Pledged Revenues pursuant to the provisions of such paragraphs as is necessary, after taking into account all other moneys and revenues available to the Department for application for such purposes, to pay the amounts required by such paragraphs.

The Senior Indenture provides that, notwithstanding the provisions therein, nothing precludes the Department from making the payments described in paragraphs FIRST through NINTH above from sources other than Pledged Revenues.

The Charter does not require the deposit of moneys in certain funds, including, among others, the LAX Maintenance and Operation Reserve Account; however, the Department, pursuant to the Senior Indenture, has covenanted to continue using moneys on deposit in the LAX Revenue Account as described in the flow of funds detailed above.

Pledge of Net Pledged Revenues

The Series 2015DE Senior Bonds are limited obligations of the Department payable solely from and secured by a pledge of and first lien on Net Pledged Revenues. The Series 2015DE Senior Bonds are also secured by a pledge of and first lien on amounts held in certain funds and accounts pursuant to the Senior Indenture, as further described herein.

THE SERIES 2015DE SENIOR BONDS DO NOT CONSTITUTE OR EVIDENCE AN INDEBTEDNESS OF THE CITY OR A LIEN OR CHARGE ON ANY PROPERTY OR THE GENERAL REVENUES OF THE CITY. NEITHER THE FAITH AND THE CREDIT NOR THE TAXING POWER OF THE CITY, THE STATE OR ANY PUBLIC AGENCY, OTHER THAN THE DEPARTMENT, TO THE EXTENT OF THE NET PLEDGED REVENUES, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE SERIES 2015DE SENIOR BONDS. THE DEPARTMENT HAS NO POWER OF TAXATION. THE SERIES 2015DE SENIOR BONDS SHALL CONSTITUTE AND EVIDENCE AN OBLIGATION OF THE DEPARTMENT PAYABLE ONLY IN ACCORDANCE WITH SECTION 609(B) OF THE CHARTER AND ANY OTHER APPLICABLE PROVISIONS THEREOF. NONE OF THE PROPERTIES OF THE AIRPORT SYSTEM IS SUBJECT TO ANY MORTGAGE OR OTHER LIEN FOR THE BENEFIT OF THE OWNERS OF THE SERIES 2015DE SENIOR BONDS. THE DEPARTMENT IS UNDER NO OBLIGATION TO PAY THE SERIES 2015DE SENIOR BONDS EXCEPT FROM FUNDS IN THE LAX REVENUE ACCOUNT OF THE AIRPORT REVENUE FUND AND AS FURTHER SPECIFICALLY PROVIDED IN THE SENIOR INDENTURE.

The Department has covenanted in the Master Senior Indenture not to issue any additional bonds or other obligations with a pledge of or lien on Net Pledged Revenues prior or superior to that of the Senior Bonds. Net Pledged Revenues are available for the equal and proportionate benefit and security of all Senior Bonds.

The Series 2015DE Senior Bonds are secured by a pledge of and lien on Net Pledged Revenues on parity with the Existing Senior Bonds and any Additional Senior Bonds. See "—Additional Senior Bonds" and "OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE – Senior Bonds." The Series 2015DE Senior Bonds are not secured by moneys held in any construction funds established under the Senior Indenture.

Senior Rate Covenant

Under the Master Senior Indenture, the Department has covenanted that, while any of the Senior Bonds remain Outstanding (but subject to all prior existing contracts and legal obligations of the Department), the Department will establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with LAX and for services rendered in connection therewith, so that Pledged Revenues in each Fiscal Year will be at least equal to the payments required in such Fiscal Year to be made pursuant to the paragraphs FIRST through EIGHTH set forth in "—Flow of Funds" above. The Department has further agreed that it will establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with LAX and for services rendered in connection therewith, so that during each Fiscal Year the Net Pledged Revenues, together with any Transfer, will be equal to at least 125% of Senior Aggregate Annual Debt Service on the Outstanding Senior Bonds for that Fiscal Year. Any amount of Transfer taken into account as described in the previous sentence cannot exceed 25% of Senior Aggregate Annual Debt Service on the Outstanding Senior Bonds for such Fiscal Year. "Transfer" means for any Fiscal Year the amount of unencumbered funds on deposit or anticipated to be on deposit, as the case may be, on the first day of such Fiscal Year in the LAX Revenue Account (after all deposits and payments required by paragraphs FIRST through NINTH as described under "Flow of Funds," have been made as of the last day of the immediately preceding Fiscal Year).

The Master Senior Indenture provides that if the Department violates the above-described covenants, such violation will not be a default under the Senior Indenture and will not give rise to a declaration of a Senior Event of Default if, within 180 days after the date such violation is discovered, the Department revises the schedule of rates, tolls, fees, rentals and charges insofar as practicable and revises any LAX Maintenance and Operation Expenses insofar as practicable and takes such other actions as are necessary so as to produce Pledged Revenues to cure such violation for future compliance; provided, however, that if the Department does not cure such violation by the end of the second subsequent Fiscal Year succeeding the date such violation is discovered, a Senior Event of Default may be declared under the Senior Indenture. The Department may obtain such recommendations from a Consultant as it deems necessary or appropriate to bring the Department into compliance with such covenants. See "CERTAIN INVESTMENT CONSIDERATIONS – Rate Covenant Limitations."

In addition to the requirements of the Master Senior Indenture, the Charter requires the Department to set rates and charges at LAX in an amount sufficient to pay debt service and premiums, if any, due upon the redemption of revenue bonds, in addition to all maintenance and operation expenses at LAX for each Fiscal Year.

Pursuant to the Master Senior Indenture, the Department may exclude from its calculation of Senior Aggregate Annual Debt Service, for the purpose of determining compliance with the rate covenant described above, the payment of debt service or portions thereof on Senior Bonds whose debt service is payable from amounts not included in Pledged Revenues (including, but not limited to PFC revenues) which have been irrevocably deposited with and held by the Senior Trustee for the payment of debt service on such Senior Bonds. See "—Passenger Facility Charges," "CAPITAL PLANNING – Capital Financing – Passenger Facility Charges," "CERTAIN INVESTMENT CONSIDERATIONS – Considerations Regarding Passenger Facility Charges" and APPENDIX A – "REPORT OF THE AIRPORT CONSULTANT – AIRPORT CAPITAL PROGRAM AND FUNDING – Summary of Capital Program Funding – Passenger Facility Charges" for additional information about the Department's expected use of PFC revenues.

Senior Debt Service Deposits

The Master Senior Indenture provides that the Department will cause the City Treasurer to, not later than five Business Days prior to each Payment Date, transfer from the LAX Revenue Account to the Senior Trustee for deposit in the Senior Debt Service Funds established in respect of each series of Outstanding Senior Bonds the full amount required to pay the principal of and/or interest on Senior Bonds of that Series due on such Payment Date.

Senior Reserve Fund

The Master Senior Indenture established the "Senior Reserve Fund" for all of the Senior Bonds the Department elects to have participate in the Senior Reserve Fund. The Department has elected to have the Existing Senior Bonds participate in the Senior Reserve Fund and, pursuant to the Sixteenth Supplemental Senior Indenture, the Department intends to elect to have the Series 2015DE Senior Bonds participate in the Senior Reserve Fund.

Pursuant to the Master Senior Indenture, the Senior Reserve Fund is required to be funded at all times in an amount equal to the Senior Reserve Requirement. The "Senior Reserve Requirement" equals the least of (i) Senior Maximum Aggregate Annual Debt Service for Reserve Requirement with respect to all Senior Bonds participating in the Senior Reserve Fund, (ii) 10% of the principal amount of all Senior Bonds participating in the Senior Reserve Fund, less the amount of original issue discount with respect to the Senior Bonds participating in the Senior Reserve Fund if such original issue discount exceeded 2% on such Senior Bonds at the time of original sale, and (iii) 125% of the average Senior Aggregate Annual Debt Service for Reserve Requirement with respect to all Senior Bonds participating in the Senior Reserve Fund. In the event the Department issues any Additional Senior Bonds pursuant to a Supplemental Senior Indenture under which the Department elects to have such Additional Senior Bonds participate in the Senior Reserve Fund, the Department will be required to deposit an amount in the Senior Reserve Fund sufficient to cause the amount on deposit in the Senior Reserve Fund to equal the Senior Reserve Requirement. At the time of issuance of the Series 2015DE Senior Bonds, the Senior Reserve Requirement will equal $262,305,018.76 and will be fully funded with cash and securities.

Moneys or investments held in the Senior Reserve Fund may be used only to pay the principal of and interest on the Senior Bonds participating in the Senior Reserve Fund (including the Series 2015DE Senior Bonds). Moneys and investments held in the Senior Reserve Fund are not available to pay debt service on the Subordinate Obligations or any Third Lien Obligations. The Senior Reserve Fund may be drawn upon if the amounts in the respective Senior Debt Service Funds for the Series 2015DE Senior Bonds and the other Senior Bonds participating in the Senior Reserve Fund are insufficient to pay in full any principal or interest then due on such Senior Bonds. In the event any amounts are required to be withdrawn from the Senior Reserve Fund, such amounts will be withdrawn and deposited pro rata to meet the funding requirements of the Senior Debt Service Funds for the Senior Bonds secured by the Senior Reserve Fund.

The Department may fund all or a portion of the Senior Reserve Requirement with a Senior Reserve Fund Surety Policy. A Senior Reserve Fund Surety Policy may be an insurance policy, letter of credit or surety bond deposited in the Senior Reserve Fund in lieu of or in partial substitution for cash or securities. Any such Senior Reserve Fund Surety Policy must either extend to the final maturity of the Series of Senior Bonds for which the Senior Reserve Fund Surety Policy was issued or the Department must agree, by Supplemental Senior Indenture, that the Department will replace such Senior Reserve Fund Surety Policy prior to its expiration with another Senior Reserve Fund Surety Policy, which will have no adverse effect on ratings, if any, then in effect, on the Senior Bonds, or with cash, and the face amount of the Senior Reserve Fund Surety Policy, together with amounts on deposit in the Senior Reserve Fund, including the face amount of any other Senior Reserve Fund Surety Policy, are at least equal to the Senior Reserve Requirement. As of the date of this Official Statement and at the time of the issuance of the Series 2015DE Senior Bonds, there are no and there will be no Senior Reserve Fund Surety Policies on deposit in the Senior Reserve Fund.

Additional Senior Bonds

The Master Senior Indenture provides the Department with flexibility in establishing the nature and terms of any Additional Senior Bonds hereafter issued with a lien and charge on Net Pledged Revenues on parity with the Series 2015DE Senior Bonds and the Existing Senior Bonds.

Additional Senior Bonds may be issued under the Master Senior Indenture on parity with the Series 2015DE Senior Bonds and the Existing Senior Bonds, provided, among other things, there is delivered to the Senior Trustee either:

(a) a certificate, dated as of a date between the date of pricing of the proposed Additional Senior Bonds being issued and the date of delivery of such proposed Additional Senior Bonds (both dates inclusive), prepared by an Authorized Representative showing that the Net Pledged Revenues, together with any Transfer, for any 12 consecutive months out of the most recent 18 consecutive months immediately preceding the date of issuance of the proposed Additional Senior Bonds or preceding the first issuance of the proposed Senior Program Bonds were at least equal to 125% of Senior Maximum Aggregate Annual Debt Service with respect to all Outstanding Senior Bonds, Unissued Senior Program Bonds and the proposed Additional Senior Bonds, calculated as if the proposed Additional Senior Bonds and the full Senior Authorized Amount of such proposed Senior Program Bonds (as applicable) were then Outstanding; or

(b) a certificate, dated as of a date between the date of pricing of the proposed Additional Senior Bonds being issued and the date of delivery of such proposed Additional Senior Bonds (both dates inclusive), prepared by a Consultant showing that:

(i) the Net Pledged Revenues, together with any Transfer, for the last audited Fiscal Year or for any 12 consecutive months out of the most recent 18 consecutive months immediately preceding the date of issuance of the proposed Additional Senior Bonds or the establishment of a Senior Program were at least equal to 125% of the sum of the Senior Aggregate Annual Debt Service due and payable with respect to all Outstanding Senior Bonds (not including the proposed Additional Senior Bonds or the proposed Senior Program Bonds) for such Fiscal Year or other applicable period; and

(ii) for the period from and including the first full Fiscal Year following the issuance of such proposed Additional Senior Bonds during which no interest on such Additional Senior Bonds is expected to be paid from the proceeds thereof through and including the later of (A) the fifth full Fiscal Year following the issuance of such Additional Senior Bonds, or (B) the third full Fiscal Year during which no interest on such Additional Senior Bonds is expected to be paid from the proceeds thereof, the estimated Net Pledged Revenues, together with any estimated Transfer, for each such Fiscal Year, will be at least equal to 125% of the Senior Aggregate Annual Debt Service for each such Fiscal Year with respect to all Outstanding Senior Bonds, Unissued Senior Program Bonds and the proposed Additional Senior Bonds (calculated as if the proposed Additional Senior Bonds and the full Senior Authorized Amount of such proposed Senior Program Bonds (as applicable) were then Outstanding).

The certificate as described in (a) above is expected to be delivered by an Authorized Representative in connection with the issuance of the Series 2015DE Senior Bonds.

For purposes of subparagraphs (a) and (b) above, the amount of any Transfer taken into account shall not exceed 25% of the Senior Aggregate Annual Debt Service on the Outstanding Senior Bonds, Unissued Senior Program Bonds, the proposed Additional Senior Bonds and the full Senior Authorized Amount of such proposed Senior Program Bonds, as applicable, for such applicable Fiscal Year or such other applicable period.

For purposes of subsection (b)(ii) above, in estimating Net Pledged Revenues, the Consultant may take into account (1) Pledged Revenues from Specified LAX Projects or LAX Airport Facilities reasonably expected to become available during the period for which the estimates are provided, (2) any increase in fees, rates, charges, rentals or other sources of Pledged Revenues which have been approved by the Department and will be in effect during the period for which the estimates are provided and (3) any other increases in Pledged Revenues which the Consultant believes to be a reasonable assumption for such period. With respect to LAX Maintenance and Operation Expenses, the Consultant may use such assumptions as the Consultant believes to be reasonable, taking into account: (i) historical LAX Maintenance and Operation Expenses, (ii) LAX Maintenance and Operation Expenses associated with the Specified LAX Projects and any other new LAX Airport Facilities, and (iii) such other factors, including inflation and changing operations or policies of the Department, as the Consultant believes to be appropriate. The Consultant may include in the certificate or in a separate accompanying report a description of the assumptions used and the calculations made in determining the estimated Net Pledged Revenues and may also set forth the calculations of Senior Aggregate Annual Debt Service, which calculations may be based upon information provided by another Consultant.

For purposes of preparing the certificate or certificates described above, the Consultant or Consultants or the Authorized Representative may rely upon financial statements prepared by the Department which have not been subject to audit by an independent certified public accountant if audited financial statements for the Fiscal Year or period are not available; provided, however, that an Authorized Representative will certify as to their accuracy and that such financial statements were prepared substantially in accordance with generally accepted accounting principles, subject to year-end adjustments.

Neither of the certificates described above under subparagraphs (a) or (b) will be required if:

(1) the Senior Bonds being issued are for the purpose of refunding then Outstanding Senior Bonds and there is delivered to the Senior Trustee, instead, a certificate of an Authorized Representative showing that Senior Aggregate Annual Debt Service for each Fiscal Year after the issuance of the Refunding Senior Bonds will not exceed Senior Aggregate Annual Debt Service for each Fiscal Year prior to the issuance of such Refunding Senior Bonds;

(2) the Senior Bonds being issued constitute Senior Notes and there is delivered to the Senior Trustee, instead, a certificate prepared by an Authorized Representative showing that the principal amount of the proposed Senior Notes being issued, together with the principal amount of any Senior Notes then Outstanding, does not exceed 10% of the Net Pledged Revenues for any 12 consecutive months out of the most recent 24 months immediately preceding the issuance of the proposed Senior Notes and there is delivered to the Senior Trustee a certificate of an Authorized Representative showing that for each of the Fiscal Years during which the Senior Notes will be Outstanding, and taking into account the debt service becoming due on such Senior Notes, the Department will be in compliance with the rate covenant under the Master Senior Indenture; or

(3) if the Senior Bonds being issued are to pay costs of completing a Specified LAX Project for which Senior Bonds have previously been issued and the principal amount of such Senior Bonds being issued for completion purposes does not exceed an amount equal to 15% of the principal amount of the Senior Bonds originally issued for such Specified LAX Project and reasonably allocable to the Specified

LAX Project to be completed as shown in a written certificate of an Authorized Representative and there is delivered to the Senior Trustee (i) a Consultant's certificate stating that the nature and purpose of such Specified LAX Project has not materially changed and (ii) a certificate of an Authorized Representative to the effect that (A) all of the proceeds (including investment earnings on amounts in the Construction Fund allocable to such Specified LAX Project) of the original Senior Bonds issued to finance such Specified LAX Project have been or will be used to pay Costs of the Specified LAX Project, (B) the then estimated Costs of the Specified LAX Project exceed the sum of the Costs of the Specified LAX Project already paid plus moneys available in the Construction Fund established for the Specified LAX Project (including unspent proceeds of the Senior Bonds previously issued for such purpose), and (C) the proceeds to be received from the issuance of such Senior Bonds plus moneys available in the Construction Fund established for the Specified LAX Project (including unspent proceeds of the Senior Bonds previously issued for such purpose) will be sufficient to pay the remaining estimated Costs of the Specified LAX Project.

The Department has covenanted in the Master Senior Indenture that so long as any Senior Bonds are Outstanding, it will not, except as specifically provided in Master Senior Indenture, grant any prior or parity pledge of or any security interest in the Net Pledged Revenues or any of the other security which is pledged pursuant to the Master Senior Indenture, or create or permit to be created any charge or lien thereon or any security interest therein ranking prior to or on a parity with the charge or lien of the Senior Bonds (including Additional Senior Bonds) from time to time Outstanding under the Master Senior Indenture. The Department may, as provided in the Master Senior Indenture, grant a lien on or security interest in the Net Pledged Revenues to secure Subordinate Obligations and Third Lien Obligations. The Department may issue bonds for capital improvements at its other airports pursuant to separate indentures, which bonds will not be secured by a pledge of LAX Revenues. In addition, the Department may issue LAX Special Facility Obligations. See "SPECIAL FACILITY FINANCINGS – LAX Special Facility Obligations."

Passenger Facility Charges

Passenger Facility Charges – Pledged Revenues

Pledged Revenues do not include PFC revenues unless otherwise included in Pledged Revenues pursuant to a Supplemental Senior Indenture. The Department has not elected, and the Department has no current plans to elect, to include PFC revenues in Pledged Revenues. The Department has not pledged PFC revenues to the payment of the Senior Bonds or the Subordinate Obligations, and the Department has no current plans to pledge PFC revenues to the payment of the Senior Bonds or the Subordinate Obligations. Although PFC revenues are not included in Pledged Revenues and have not been pledged to the payment of debt service on the Senior Bonds and/or the Subordinate Obligations, the Department expects to (to the extent approved by the FAA) use PFC revenues to pay a portion of the debt service on certain Senior Bonds and/or certain Subordinate Obligations which are or become PFC Eligible Obligations. For additional information regarding PFC revenues and the Department's expected use of PFC revenues, see "CAPITAL PLANNING – Capital Financing – Passenger Facility Charges," "CERTAIN INVESTMENT CONSIDERATIONS – Considerations Regarding Passenger Facility Charges" and APPENDIX A – "REPORT OF THE AIRPORT CONSULTANT – AIRPORT CAPITAL PROGRAM AND FUNDING – Summary of Capital Program Funding – Passenger Facility Charges" for additional information about the Department's expected use of PFC revenues.

Passenger Facility Charges – Additional Senior Bonds

Debt service paid with PFC revenues is not included in the calculation of the rate covenants set forth in the Master Senior Indenture. Debt service on Additional Senior Bonds expected to be paid from irrevocably committed PFC revenues is not included in the additional bonds tests set forth in the Master Senior Indenture. As of the date of this Official Statement, the Department has not irrevocably committed any PFC revenues to the payment of debt service on PFC Eligible Obligations.

Permitted Investments

Moneys held by the Senior Trustee under the Senior Indenture, including moneys in the Senior Debt Service Funds (and the accounts therein) and in the Senior Reserve Fund, may be invested as directed by the Department in Senior Permitted Investments, subject to the restrictions set forth in the Senior Indenture and subject to restrictions imposed upon the Department by the Charter. Investments held in the Senior Reserve Fund cannot exceed a maturity of five years.

All moneys held in the Airport Revenue Fund are currently invested by the City Treasurer in investments authorized by State law. Pursuant to State law, the City Treasurer must present an annual investment policy to the City Council for confirmation. The City has provided to the Department its "City of Los Angeles Investment Policy" for the current fiscal year which authorizes the City Treasurer to invest the City's funds in a manner which maximizes safety, liquidity, yield and diversity. See "FINANCIAL AND OPERATING INFORMATION CONCERNING LAX – Investment Practices of the City Treasurer."

Events of Default and Remedies; No Acceleration

Senior Events of Default under the Senior Indenture and related remedies are described in APPENDIX C – "CERTAIN DEFINITIONS AND SUMMARIES OF THE MASTER SENIOR INDENTURE AND THE SIXTEENTH SUPPLEMENTAL SENIOR INDENTURE – SUMMARY OF THE MASTER SENIOR INDENTURE – Senior Events of Default and Remedies." The occurrence of a Senior Event of Default does not grant any right to accelerate payment of the Senior Bonds to any of the Senior Trustee, the Subordinate Trustee, or the Holders of the Senior Bonds, or the Subordinate Obligations. The Senior Trustee is authorized to take certain actions upon the occurrence of a Senior Event of Default, including proceedings to enforce the obligations of the Department under the Senior Indenture.

Except as described in the following sentence, the occurrence of an event of default with respect to the Subordinate Obligations does not grant any right to accelerate payment of the Subordinate Obligations or the Senior Bonds to any of the Subordinate Trustee, the Senior Trustee, or the holders of the Subordinate Obligations or the Senior Bonds. Pursuant to the CP Reimbursement Agreements the Department granted to the CP Banks the right to accelerate any payments due the CP Banks upon an event of default under the CP Reimbursement Agreements. See "OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE – Subordinate Bonds and Subordinate Commercial Paper Notes."

OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE

Senior Bonds

Pursuant to the Senior Indenture, the Department has previously issued and, as of October 1, 2015 there were outstanding $3,309,685,000 aggregate principal amount of Existing Senior Bonds. The Existing Senior Bonds are secured by a pledge of and lien on Net Pledged Revenues. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015DE SENIOR BONDS – Flow of Funds." The following table sets forth information about the Existing Senior Bonds that were outstanding as of October 1, 2015.

TABLE 1
DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES
LOS ANGELES INTERNATIONAL AIRPORT
EXISTING SENIOR BONDS
AS OF OCTOBER 1, 2015

Series	Original Principal Amount	Principal Amount Outstanding	Final Maturity (May 15)
2008A	$ 602,075,000	$ 518,115,000	2038
2009A	310,410,000	284,770,000	2039
2010A	930,155,000	905,090,000	2040
2010D	875,805,000	854,555,000	2040
2012A	105,610,000	94,380,000	2029
2012B	145,630,000	139,180,000	2037
2012C	27,870,000	27,460,000	2019
2013A	170,685,000	170,685,000	2043
2015A	267,525,000	267,525,000	2045
2015B	47,925,000	47,925,000	2045
Total	$ 3,483,690,000	$ 3,309,685,000	

Source: Department of Airports of the City of Los Angeles.

Subordinate Bonds and Subordinate Commercial Paper Notes

Pursuant to the Subordinate Indenture, the Department has previously issued and, as of October 1, 2015, there were outstanding $797,275,000 aggregate principal amount of its Existing Subordinate Bonds. Additionally, pursuant to the Subordinate Indenture, the Department is authorized to issue and to have outstanding, from time to time, up to $500,000,000 aggregate principal amount of its Subordinate Commercial Paper Notes. As of October 1, 2015, there were Subordinate Commercial Paper Notes outstanding with a maturity value of approximately $50.2 million. The Subordinate Bonds and the Subordinate Commercial Paper Notes are and will be secured by a pledge and lien on Subordinate Pledged Revenues. The following table sets forth the Existing Subordinate Bonds and the Subordinate Commercial Paper Notes that were outstanding as of October 1, 2015

TABLE 2
DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES
LOS ANGELES INTERNATIONAL AIRPORT
EXISTING SUBORDINATE BONDS AND SUBORDINATE COMMERCIAL PAPER NOTES
AS OF OCTOBER 1, 2015

Subordinate Obligations	Original Principal Amount	Principal Amount Outstanding	Final Maturity Date
Existing Subordinate Bonds			
- Series 2008C	$ 243,350,000	$ 22,100,000	May 15, 2019
- Series 2009C	307,350,000	307,350,000	May 15, 2039
- Series 2009E	39,750,000	20,805,000	May 15, 2020
- Series 2010B	134,680,000	134,680,000	May 15, 2040
- Series 2010C	59,360,000	59,360,000	May 15, 2040
- Series 2013B	71,175,000	71,175,000	May 15, 2038
- Series 2015C	181,805,000	181,805,000	May 15, 2038
Total Existing Subordinate Bonds	$ 1,037,470,000	$ 797,275,000	
Subordinate Commercial Paper Notes			
- Series A[1]	--[5]	--[6]	Various
- Series B[2]	--[5]	--[6]	Various
- Series C[3]	--[5]	50,169,000[6]	Various
- Series D[4]	--[5]	--[6]	Various
Total Subordinate Commercial Paper Notes		$ 50,169,000	
Total outstanding Existing Subordinate Bonds and Subordinate Commercial Paper Notes		$ 847,444,000	

(1) The Subordinate Commercial Paper Notes Series A (Governmental – Non AMT) may be issued in various Subseries designated Subseries A-1 through A-4.
(2) The Subordinate Commercial Paper Notes Series B (Private Activity - AMT) may be issued in various Subseries designated Subseries B-1 through B-4.
(3) The Subordinate Commercial Paper Notes Series C (Federally Taxable) may be issued in various Subseries designated Subseries C-1 through C-4.
(4) The Subordinate Commercial Paper Notes Series D (Private Activity – Non AMT) may be issued in various Subseries designated Subseries D-1 through D-4.
(5) Original Principal Amount of Subordinate Commercial Paper Notes varies.
(6) The Subordinate Commercial Paper Notes have rolling maturities of 270 days or less.
Source: Department of Airports of the City of Los Angeles

Each Series of Subordinate Commercial Paper Notes is divided into four Subseries designated Subseries A-1 through A-4, Subseries B-1 through B-4, Subseries C-1 through C-4 and Subseries D-1 through D-4. The Subordinate Commercial Paper Notes are issuable in maturities of 1 to 270 days. The Department utilizes the proceeds of Subordinate Commercial Paper Notes to, among other things, finance capital projects at LAX and to pay maturing Subordinate Commercial Paper Notes.

To provide credit support for the Subordinate Commercial Paper Notes, the Department entered into four separate reimbursement agreements (collectively, the "CP Reimbursement Agreements") with Bank of the West, Sumitomo Mitsui Banking Corporation, acting through its New York Branch, Barclays Bank PLC and Wells Fargo Bank, National Association, respectively (collectively, the "CP Banks"), pursuant to which each CP Bank issued a separate irrevocable transferable direct-pay letter of credit (collectively, the "CP Letters of Credit"). Each CP Letter of Credit provides credit support for the timely payment of the principal of and interest on certain specified Subseries of the Subordinate Commercial Paper Notes as described in more detail in the following table.

CP Bank	Subseries of Subordinate Commercial Paper Notes Supported by CP Letter of Credit	Principal Amount of Subordinate Commercial Paper Notes Supported by CP Letter of Credit	Total Stated Amount of CP Letter of Credit[1]	CP Letter of Credit Termination Date[2]
Bank of the West	A-1, B-1, C-1 , D-1	$ 50,000,000	$ 54,500,000	October 3, 2017
Sumitomo Mitsui Banking Corporation, acting through its New York Branch	A-2, B-2, C-2, D-2	$ 100,000,000	$ 109,000,000	October 3, 2017
Barclays Bank PLC	A-3, B-3, C-3, D-3	$ 150,000,000	$ 163,500,000	January 16, 2018
Wells Fargo Bank, National Association	A-4, B-4, C-4, D-4	$ 200,000,000	$ 218,000,000	October 3, 2017

(1) Equal to principal of Subordinate Commercial Paper Notes supported by CP Letter of Credit plus interest on such Subordinate Commercial Paper Notes accruing at a rate of 12% for 270 days based on 360-day year.
(2) Unless extended or terminated sooner in accordance with the respective terms of the CP Letter of Credit.

Each CP Letter of Credit only supports the payment of the principal of or interest on the applicable Subseries of Subordinate Commercial Paper Notes.

In the event the Department does not immediately reimburse a CP Bank for a drawing under the applicable CP Letter of Credit, the Department is required pursuant to the applicable CP Reimbursement Agreement to pay all principal of and interest due to the applicable CP Bank as a result of such drawing within five years of the applicable date of the original drawing. Upon the happening of an event of default under a CP Reimbursement Agreement the obligations of the Department to the applicable CP Bank may become immediately due and payable. Events of default under the CP Reimbursement Agreements include, but are not limited to (i) failure to pay principal of or interest on any drawing, advance or other obligations under the applicable CP Reimbursement Agreement, (ii) failure to perform the terms of the applicable CP Reimbursement Agreement, (iii) defaults in any payment of any debt secured by a charge, lien or encumbrance on the Net Pledged Revenues or the Subordinate Pledged Revenues and (iv) certain downgrades of the Senior Bonds. Any obligations of the Department incurred pursuant to the CP Reimbursement Agreements are secured by Subordinate Pledged Revenues on parity with the Existing Subordinate Bonds and the Subordinate Commercial Paper Notes. Redacted copies of the CP Reimbursement Agreements are available on the MSRB's Electronic Municipal Market Access ("EMMA") website.

Debt Service Requirements

The following table sets forth debt service requirements on the Existing Senior Bonds, the Series 2015DE Senior Bonds and the Existing Subordinate Bonds:

TABLE 3
DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES
LOS ANGELES INTERNATIONAL AIRPORT
SENIOR BONDS AND SUBORDINATE BONDS DEBT SERVICE REQUIREMENTS[1]

Fiscal Year	Total Debt Service on Existing Senior Bonds	Principal Requirements on Series 2015DE Senior Bonds	Interest Requirements on Series 2015DE Senior Bonds	Total Debt Service on Series 2015DE Senior Bonds	Total Debt Service on Outstanding Senior Bonds	Total Debt Service on Existing Subordinate Bonds[2]	Total Debt Service[2]
2016	$ 228,296,725	$ -	$ 7,662,534	$ 7,662,534	$ 235,959,259	$ 64,870,002	$ 300,829,261
2017	231,120,988	6,530,000	16,131,650	22,661,650	253,782,638	64,730,469	318,513,106
2018	231,127,913	6,835,000	15,821,950	22,656,950	253,784,863	64,579,474	318,364,336
2019	231,802,188	7,170,000	15,488,850	22,658,850	254,461,038	64,415,390	318,876,427
2020	231,807,988	7,535,000	15,130,350	22,665,350	254,473,338	64,233,965	318,707,302
2021	231,801,913	7,875,000	14,782,100	22,657,100	254,459,013	60,939,996	315,399,009
2022	231,798,263	8,270,000	14,398,000	22,668,000	254,466,263	60,940,090	315,406,352
2023	231,800,400	8,665,000	13,994,550	22,659,550	254,459,950	59,363,435	313,823,385
2024	238,424,800	9,100,000	13,561,300	22,661,300	261,086,100	59,364,898	320,450,998
2025	238,432,463	9,545,000	13,117,250	22,662,250	261,094,713	59,365,505	320,460,218
2026	238,425,994	10,025,000	12,640,000	22,665,000	261,090,994	59,361,440	320,452,433
2027	238,424,363	10,520,000	12,138,750	22,658,750	261,083,113	59,368,964	320,452,076
2028	238,413,338	11,050,000	11,612,750	22,662,750	261,076,088	59,363,262	320,439,349
2029	238,422,544	11,600,000	11,060,250	22,660,250	261,082,794	59,360,438	320,443,232
2030	238,422,413	12,175,000	10,480,250	22,655,250	261,077,663	59,360,517	320,438,180
2031	238,425,394	12,795,000	9,871,500	22,666,500	261,091,894	59,361,373	320,453,267
2032	238,416,988	13,440,000	9,231,750	22,671,750	261,088,738	59,366,869	320,455,607
2033	238,405,131	14,105,000	8,559,750	22,664,750	261,069,881	59,366,361	320,436,242
2034	238,426,413	14,815,000	7,854,500	22,669,500	261,095,913	59,364,532	320,460,444
2035	238,428,938	15,545,000	7,113,750	22,658,750	261,087,688	59,365,486	320,453,173
2036	238,417,444	16,320,000	6,336,500	22,656,500	261,073,944	59,363,340	320,437,284
2037	238,419,519	18,365,000	5,520,500	23,885,500	262,305,019	59,098,918	321,403,937
2038	223,298,900	19,275,000	4,602,250	23,877,250	247,176,150	58,814,222	305,990,372
2039	214,866,688	20,245,000	3,638,500	23,883,500	238,750,188	54,832,000	293,582,187
2040	220,474,500	21,255,000	2,626,250	23,881,250	244,355,750	49,222,319	293,578,069
2041	27,136,250	31,270,000	1,563,500	32,833,500	59,969,750	-	59,969,750
2042	27,122,250	-	-	-	27,122,250	-	27,122,250
2043	27,124,500	-	-	-	27,124,500	-	27,124,500
2044	20,694,500	-	-	-	20,694,500	-	20,694,500
2045	20,706,000	-	-	-	20,706,000	-	20,706,000
Total	$5,968,885,700	$ 324,325,000	$ 264,939,284	$ 589,264,284	$6,558,149,984	$1,497,773,264	$8,055,923,248

(1) Totals may not add due to individual rounding. Debt service on the Subordinate Commercial Paper Notes (which may be outstanding from time to time up to $500 million aggregate principal amount) and payment obligations under the CP Reimbursement Agreements are not reflected in this table. Approximately $50.2 million of Subordinate Commercial Paper Notes are expected to be outstanding following the issuance of the Series 2015DE Senior Bonds. For additional information on these obligations, see "—Subordinate Bonds and Subordinate Commercial Paper Notes" above and "—Other Obligations – Repayment Obligations."

(2) Interest on the Series 2009C Subordinate Bonds and the Series 2010C Subordinate Bonds does not reflect the application of the cash subsidy payments the Department expects to receive from the United States Treasury.

Source: Department of Airports of the City of Los Angeles.

Future Financings

The Department is currently reviewing plans to issue Additional Senior Bonds (exclusive of the Series 2015DE Senior Bonds) the proceeds of which would be approximately $1.98 billion and additional Subordinate Obligations the proceeds of which would be approximately $345.1 million through Fiscal Year 2021 to, among other things, complete the Series 2015DE Senior Bonds Projects and Other Committed and Planned Projects, as described in the Report of the Airport Consultant. The Report of the Airport Consultant assumes the issuance of the above-referenced amount of Additional Senior Bonds and additional Subordinate Obligations.

During the Airport Consultant's forecast period (through Fiscal Year 2021), the Department may pursue additional capital projects and acquisitions beyond those described in the preceding paragraph and Additional Senior Bonds and/or additional Subordinate Obligations may be issued to fund such additional projects or acquisitions. Any such projects and the funding therefor are not included in the forecasts included in the Report of the Airport Consultant. See "CERTAIN INVESTMENT CONSIDERATIONS – Delays and Cost Increases; Future Capital Projects; Additional Indebtedness," "CAPITAL PLANNING" and APPENDIX A – "REPORT OF THE AIRPORT CONSULTANT – AIRPORT CAPITAL PROGRAM AND FUNDING – Other Potential Airport Capital Improvements" for a discussion of certain projects the Department is considering undertaking.

Additionally, the Department continuously evaluates refunding opportunities and, when economically beneficial, may refund one or more Series of Senior Bonds and/or Subordinate Bonds.

Other Obligations

General Obligation Bonds

The City last issued general obligation bonds for Department purposes in 1956, and those bonds were retired in February 1990. The Board has covenanted in the Master Senior Indenture not to (i) adopt a resolution determining that Pledged Revenues be used to pay general obligation bonds of the City on a senior lien basis, and (ii) issue any additional bonds or other obligations with a lien on or security interest granted in Pledged Revenues which is senior to the Senior Bonds. Notwithstanding the previous sentence, nothing in the Master Senior Indenture prohibits the Department from entering into agreements that provide for the granting of Facilities Construction Credits by the Department. There are currently no outstanding general obligation bonds of the City for Department purposes issued or authorized but unissued.

Other Repayment Obligations

Under certain circumstances the obligation of the Department, pursuant to a written agreement, to reimburse the provider of a Credit Facility or a Liquidity Facility (a "Senior Repayment Obligation") may be secured by a pledge of and lien on Net Pledged Revenues on parity with the Senior Bonds.

If a Credit Provider or Liquidity Provider advances funds to pay principal of or interest on or to purchase Senior Bonds, all or a portion of the Department's Senior Repayment Obligation may be afforded the status of a Senior Bond under the Master Senior Indenture. The Department currently does not have any Senior Repayment Obligations outstanding. See APPENDIX C – "CERTAIN DEFINITIONS AND SUMMARIES OF THE MASTER SENIOR INDENTURE AND THE SIXTEENTH SUPPLEMENTAL SENIOR INDENTURE – SUMMARY OF THE MASTER SENIOR INDENTURE – Senior Repayment Obligations Afforded Status of Senior Bonds."

Credits

The Department from time to time has provided credits to its Aeronautical Users (as defined below) that may be applied as an offset against amounts otherwise due to the Department by such Aeronautical Users as charges for use of LAX facilities, including amounts owed pursuant to the Airport Terminal Tariff or landing fees. Because these credits are applied as an offset to amounts owed to the Department by such Aeronautical Users, the Department receives less money from these Aeronautical Users than such Aeronautical User would otherwise provide absent the credit. Thus, although the credits are not secured by any pledge of or lien on the Department's revenues, the effect of using such credits is the creation of a higher payment priority for such credits than for the Senior Bonds and Subordinate Obligations, including the Series 2015DE Senior Bonds. Credits are discussed in greater detail under "USE OF AIRPORT FACILITIES – Credits." See also "SPECIAL FACILITY FINANCINGS – Conduit Financings."

CERTAIN INVESTMENT CONSIDERATIONS

The purchase and ownership of the Series 2015DE Senior Bonds involve investment risk and may not be suitable for all investors. Prospective investors are urged to read this Official Statement, including the appendices hereto, in its entirety. The factors set forth herein, among others, may affect the security for and/or trading value of the Series 2015DE Senior Bonds. The information herein does not purport to be a comprehensive or exhaustive discussion of all risks or other considerations that may be relevant to an investment in the Series 2015DE Senior Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such considerations. There can be no assurance that other risks or considerations not discussed herein are or will not become material in the future.

Demand for Air Travel and Aviation Activity

The Senior Bonds are payable solely from Net Pledged Revenues and other available funds. Net Pledged Revenues and PFC revenues depend significantly on the level of aviation activity and enplaned passenger traffic at LAX.

Air travel demand has historically correlated to the national economy, generally, and consumer income and business profits in particular. The long term implications of recent economic and political conditions are unclear, however, a lack of sustainable economic growth could negatively affect, among other things, financial markets, commercial activity and consumer spending. There can be no assurance that such conditions will not adversely affect demand for travel.

The level of aviation activity and enplaned passenger traffic at LAX depend upon a number of factors including those discussed above and other economic and political conditions; international hostilities; world health concerns; aviation security concerns including incidents of terrorism; federal government mandated security measures that result in additional taxes and fees and longer passenger processing and wait times as discussed in more detail under "—Security Concerns" below; accidents involving commercial passenger aircraft; airline service and routes; airline airfares and competition; airline industry economics, including labor relations, fuel prices, aging aircraft fleets and other factors discussed in more detail under "—Financial Condition of the Airlines" below; capacity of the national air traffic control and airport systems; competition from other airports; reliability of air service; business travel substitutes, including teleconferencing, videoconferencing and web-casting; consumer price sensitivity; and the capacity, availability and convenience of service at LAX, among others.

In addition to revenues from airlines, the Department derives a substantial portion of its revenues from concessionaires including parking operations, terminal commercial manager concessions, duty free concessions, food and beverage concessions, retail concessions and rental cars. See "USE OF AIRPORT FACILITIES – Concession and Parking Agreements." Declines in passenger traffic may adversely affect the commercial operation of concessionaries. While the Department's many agreements with concessionaires require the concessionaires to pay a minimum annual guarantee, severe financial difficulties could lead to a failure by one or more concessionaires and consequently, create risk for the required payments and interruption of such concessionaires operations. See also "—Effect of Concessionaire Bankruptcies."

Many of these factors are outside the Department's control. Changes in demand, decreases in aviation activity and their potential effects on enplaned passenger traffic at LAX may result in reduced Net Pledged Revenues, Subordinate Pledged Revenues and PFC revenues. A number of these factors are discussed in APPENDIX A – "REPORT OF THE AIRPORT CONSULTANT – AIRLINE TRAFFIC AND ECONOMIC ANALYSIS – Key Factors Affecting Future Airline Traffic."

Financial Condition of the Airlines

The ability of the Department to generate Net Pledged Revenues depends, in part, upon the financial health of the aviation industry. The economic condition of the industry has historically been volatile, and the aviation industry has undergone significant changes, including mergers, acquisitions, bankruptcies and closures in recent years. Further, the aviation industry is sensitive to a variety of factors, including the cost and availability of labor, fuel, aircraft, supplies and insurance; general economic conditions; international trade; currency values; competitive considerations, including the effects of airline ticket pricing; traffic and airport capacity constraints; governmental regulation, including security regulations and taxes imposed on airlines and passengers, and maintenance and environmental requirements; passenger demand for air travel; strikes and other union activities; availability of financing; and disruptions caused by airline accidents, criminal incidents and acts of war or terrorism.

Due to the discretionary nature of business and personal travel spending, airline passenger traffic and revenues are influenced by the state of the national economy (see the factors discussed in "—Demand for Air Travel and Aviation Activity" above), other regional and world economies, business profitability, security concerns and other factors. Significant structural changes to the airline industry have occurred in recent years, including reducing or eliminating service on unprofitable routes, reducing airline work forces, implementing pay cuts, streamlining operations and merging with other airlines. Airfares have become easier to compare, which has made pricing and marketing among airlines more competitive. The price of fuel has been a significant cost factor for the airline industry and affects airline earnings. Fuel prices are particularly sensitive to worldwide political instability, economic uncertainties and increased demand from developing economies, production disruption, regulations and weather. Material and prolonged changes in the costs of aviation fuel may have an adverse impact on air transportation industry profitability.

The aviation industry is cyclical and subject to intense competition and variable demand. Traffic volumes are responsive to a number of factors described above under "—Demand for Air Travel and Aviation Activity." Airline debt levels fluctuate. The airlines are vulnerable to fuel price spikes, labor activity, recession and external shocks (such as terrorism, pandemics, military conflicts and natural disasters). As a result, airline financial performance can fluctuate dramatically from one reporting period to the next.

The Department makes no representation with respect to the continued viability of any of the carriers serving LAX, airline service patterns, or the impact of any airline failures on the Net Pledged Revenues and passenger facility charge collections.

See also "AIRLINE INDUSTRY INFORMATION."

Effect of Airline Bankruptcies

A number of airlines that served or are currently serving LAX have filed for bankruptcy in the past and may do so in the future. Historically bankruptcies of airlines operating at LAX have resulted in transitory reductions of service levels, even in cases where such airlines continued to operate in bankruptcy. Additional bankruptcies, liquidations or major restructurings of other airlines may occur. It is not possible to predict the impact on LAX of potential future bankruptcies, liquidations or major restructurings of other airlines.

In the event an airline that has executed an agreement with the Department and/or the City seeks protection under the bankruptcy laws, such airline or its bankruptcy trustee is required to determine whether to assume or reject its agreements with the Department and/or the City (i) within 120 days or later, if ordered by the court, with respect to its use agreements or leases of non-residential real property, but in no event more than 210 days unless additional time is agreed to in writing by the Department or the City or (ii) prior to the confirmation of a plan of reorganization with respect to any other agreement. In the event of assumption and/or assignment of any agreement to a third party, the airline would be required to cure any pre- and post-petition monetary defaults and to provide adequate assurance of future performance under the applicable agreement. The Department is unable to predict whether any leases of non-residential real property with any airlines in bankruptcy proceedings may be assigned to third parties in the course of bankruptcy proceedings. Rejection of a use or other agreement or executory contract would give rise to an unsecured claim of the Department and/or the City for damages, the amount of which in the case of a use or other agreement is limited by the U.S. Bankruptcy Code generally to the amounts unpaid prior to bankruptcy plus the greater of (1) one year of rent or (2) 15% of the total remaining lease payments, not to exceed three years. However, the amount ultimately received in the event of a rejection of a use or other agreement could be considerably less than the maximum amounts allowed under the U.S. Bankruptcy Code. Except for costs allocated to any such airline for post-petition usage and rental of the terminal, concourse and ramps, amounts unpaid as a result of a rejection of a use or other agreement in connection with an airline in bankruptcy, such as airfield costs, would be passed on to the remaining airlines under their respective use agreements, although there can be no assurance that such other airlines would be financially able to absorb the additional costs. Additionally, during the pendency of a bankruptcy proceeding, and until assumption or rejection of the affected agreements, a debtor airline may not, absent a court order, make any payments to the City or the Department on account of goods and services provided prior to the bankruptcy. Thus, the Department's stream of payments from a debtor airline might be interrupted to the extent of pre-petition goods and services, including accrued rent and landing fees.

Pursuant to the Aviation Safety and Capacity Expansion Act of 1990 (P.L. 101-508) (the "1990 PFC Act") and the Wendel H. Ford Aviation Investment and Reform Act for the 21st Century (P.L. 106-181) ("AIR 21," and collectively with the 1990 PFC Act, the "PFC Acts"), the FAA has approved the Department's applications to require the airlines to collect and remit to the Department a passenger facility charge on each enplaning revenue passenger at LAX. See "CAPITAL PLANNING – Capital Financing – Passenger Facility Charges." The PFC Acts provide that PFC revenues collected by the airlines constitute a trust fund held for the beneficial interest of the eligible agency (i.e., the Department) imposing the PFC revenues, except for any handling fee or retention of interest collected on unremitted proceeds. In addition, federal regulations require airlines to account for passenger facility charge collections separately and to disclose the existence and amount of funds regarded as trust funds for financial statements. The airlines, however, are permitted to commingle passenger facility charge collections with other revenues and are also entitled to retain interest earned on passenger facility charge collections until such passenger facility charge collections are remitted. The bankruptcy courts have not fully addressed such trust arrangements. Therefore, the Department cannot predict how a bankruptcy court might rule on this matter in the event of a bankruptcy filing by one of the airlines operating at LAX. Regardless, the Department could be held to be an unsecured creditor with respect to unremitted PFC revenues held by an airline that has filed for bankruptcy protection. Additionally, the Department cannot predict whether an airline operating at LAX that files for bankruptcy protection would have properly accounted for the PFC revenues owed to the Department or whether the bankruptcy estate would have sufficient moneys to pay the Department in full for the PFC revenues owed by such airline. See "CAPITAL PLANNING – Capital Financing – Passenger Facility Charges," "—Considerations Regarding Passenger Facility Charges" and APPENDIX A – "REPORT OF THE AIRPORT CONSULTANT – AIRPORT CAPITAL PROGRAM AND FUNDING – Summary of Capital Program Funding – Passenger Facility Charges" for additional information about the Department's expected use of PFC revenues.

With respect to an airline in bankruptcy proceedings in a foreign country, the Department is unable to predict what types of orders and/or relief could be issued by foreign bankruptcy tribunals nor the extent to which any such orders would be enforceable in the United States.

Other possible effects of a bankruptcy of an airline include, but may not be limited to, delays or reductions in revenues received by the Department and potentially in delays or reductions in payments on the Series 2015DE Senior Bonds. Regardless of any specific adverse determinations in an airline bankruptcy proceeding, the fact of an airline bankruptcy proceeding could have an adverse effect on the liquidity and value of the Series 2015DE Senior Bonds.

The Department has not incurred any material losses from recent airline bankruptcies. See also "USE OF AIRPORT FACILITIES" regarding performance guaranties required by the Department.

Effect of Concessionaire Bankruptcies

A bankruptcy of any significant concessionaire at LAX could also result in delays or reductions in revenues received by the Department, for reasons similar to those discussed above with respect to airline bankruptcies. Historically, a number of rental car companies operating at LAX have filed for bankruptcy protection and the Department cannot assure that rental car companies or other concessionaires will not file for bankruptcy protection in the future. Regardless of any specific adverse determinations in a concessionaire bankruptcy proceeding, the fact of such a bankruptcy proceeding could have an adverse effect on the liquidity and value of the Series 2015DE Senior Bonds.

Effect of Airline Industry Consolidation

The airline industry continues to evolve as a result of competition and changing demand patterns and it is possible that airlines serving LAX could consolidate operations through acquisition, merger, alliances, and code share sales strategies.

Major domestic airlines have joined or may be forming alliances with other major domestic airlines. Depending on which airlines serving LAX, if any, merge or join alliances, the result may be fewer flights by one or more airlines, which decrease could be significant. Such decreases could result in reduced Net Pledged Revenues and Subordinate Pledged Revenues, reduced passenger facility charge collections and increased costs for the airlines serving LAX. It is not possible at this time to predict the effect on gate usage at LAX, or the corresponding impact on Net Pledged Revenues, Subordinate Pledged Revenues, passenger facility charge collections or airline costs, as a result of unknown potential airline consolidations.

Security Concerns

Concerns about the safety of airline travel and the effectiveness of security precautions may influence passenger travel behavior and air travel demand, particularly in light of existing international hostilities, potential terrorist attacks and world health concerns. As a result of terrorist activities certain international hostilities and risk of violent crime, the Department has implemented enhanced security measures mandated by the FAA, the TSA, the Department of Homeland Security and Airport management. Current and future security measures may create significantly increased inconvenience, costs and delays at LAX which may give rise to the avoidance of air travel generally and the switching from air to ground travel modes and may adversely affect the Department's operations, expenditures and revenues.

LAX has been the target of a foiled terrorist bombing plot and has been recognized as a potential terrorist target. In November 2013, a shooting occurred at LAX in which a TSA officer was killed and several other people were injured in an apparent attack against TSA officers. The Department cannot predict whether LAX or any of the Department's other airports will be actual targets of terrorists or other violent acts in the future.

Computer networks and data transmission and collection are vital to the efficient operation of the airline industry. Air travel industry participants, including airlines, the FAA, the TSA, the Department, concessionaires and others collect and store sensitive data, including intellectual property, proprietary business information, information regarding customers, suppliers and business partners, and personally identifiable information of customers and employees. The secure processing, maintenance and transmission of this information is critical to air travel industry operations. Despite security measures, information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise networks and the information stored there could be disrupted, accessed, publicly disclosed, lost or stolen. Any such disruption, access, disclosure or other loss of information could result in disruptions in the efficiency of the air travel industry, legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties, operations and the services provided, and cause a loss of confidence in the air travel industry, which could ultimately adversely affect Department revenues.

Regulations and Restrictions Affecting LAX

The operations of LAX are affected by a variety of contractual, statutory and regulatory restrictions and limitations including extensive federal legislation and regulations, including, without limitation, the provisions of the Airport Terminal Tariff, terminal leases, the Rate Agreement (as defined herein), various grant assurances, the federal acts authorizing the imposition, collection and use of PFC revenues and extensive federal legislation and regulations applicable to all airports in the United States.

In general, federal aviation law requires that airport fees charged to airlines and other Aeronautical Users be reasonable and that to receive federal grant funding, all airport generated revenues must be expended for the capital or operating costs of the airport, the local airport system, or other local facilities owned or operated by the airport owner that are directly and substantially related to air transportation of passengers or property. Although the Department believes it is in compliance with these requirements, the Department faces occasional challenges to the reasonableness of rates charged and payments made. See "CAPITAL PLANNING – Capital Financing – Grants." Further, no assurance can be given that additional challenges relating to the reasonableness of fees charged at LAX or the use of airport generated revenues will not be filed in the future. An adverse determination in a challenge or audit could limit the ability of the Department to charge airlines and other Aeronautical Users rates sufficient to meet the covenants in the Senior Indenture which would require the Department to increase rates and fees charged to non-Aeronautical Users, could result in the loss of certain federal funding and could have a material adverse impact on the Net Pledged Revenues. Further, federal grants are paid on a reimbursement basis and are subject to audit. Failure to comply with federal statutes and regulations can result in the loss of PFC revenues and federal grants.

The Internal Revenue Service ("IRS") includes a Tax Exempt and Government Entities Division (the "TE/GE Division"), which has a subdivision that is specifically devoted to tax-exempt bond compliance. The Department can provide no assurance that, if an IRS examination of the Series 2015DE Senior Bonds was undertaken, it would not adversely affect the market value of the Series 2015DE Senior Bonds.

In addition, as is described in greater detail under "AIRPORT PLANNING," the Department is a party to the Stipulated Settlement (as defined below) that requires, in certain limited circumstances, gate reductions at LAX.

Climate change concerns have led to new laws and regulations at the federal and State levels that could have a material adverse effect on the Department's operations and on airlines operating at LAX. The U.S. Environmental Protection Agency (the "EPA") has taken steps towards the regulation of greenhouse gas ("GHG") emissions under existing federal law. Those steps may in turn lead to further regulation of aircraft GHG emissions. On December 14, 2009, the EPA made an "endangerment and cause or contribute finding" under the Clean Air Act, codified at 40 C.F.R.1. In the finding, the EPA determined that the body of scientific evidence supported a finding that six identified GHGs – carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride – cause global warming, and that global warming endangers public health and welfare. The EPA also found that GHGs are a pollutant and that GHG emissions from motor vehicles cause or contribute to air pollution. This finding requires that the EPA regulate emissions of certain GHGs from motor vehicles. The Clean Air Act regulates aircraft emissions under provisions that are parallel to the requirements for motor vehicle emissions. Accordingly, the EPA may elect or be forced by the courts to regulate aircraft emissions as a result of this endangerment finding. While the EPA has not yet taken any action to regulate GHG emissions from aircraft, regulation may still be forthcoming. On July 5, 2011, the U.S. District Court for the District of Columbia issued an order concluding that the EPA has a mandatory obligation under the Clean Air Act to consider whether the greenhouse gas and black carbon emissions of aircraft engines endanger public health and welfare. The EPA is in the process of makings its required determinations. The Department cannot predict what the EPA's findings will be or what effect they will have on the Department or the air traffic at LAX.

In addition to these regulatory actions, other laws and regulations limiting GHG emissions have been adopted by a number of states, including California, and have been proposed on the federal level. California passed Assembly Bill 32, the California Global Warming Solutions Act of 2006 ("AB 32"), which requires the statewide level of GHGs to be reduced to 1990 levels by 2020. On October 20, 2011, the California Air Resources Board ("CARB") made the final adjustments to its implementation of AB 32: the California cap-and-trade program (the "California Cap-and-Trade Program"). The Department's annual metric tons of carbon dioxide equivalent ("MtCO2e") emissions exceed 25,000 metric tons and therefore the Department is required to participate in the California Cap-and-Trade Program. The Department estimates that its annual costs for participation in the California Cap-and-Trade Program and meeting its annual compliance obligations will be approximately $750,000. However, as California Cap-and-Trade Program credits are market based, the annual costs for participation in the program may vary. The California Cap-and-Trade Program may result in rising electricity and fuel costs, which may adversely affect the airlines serving LAX and the Department's operations.

The South Coast Air Quality Management District ("SCAQMD") also imposes rules and regulations specifically targeted to various air pollutants and types of operations such as hydrant fueling, private vehicle fueling, power generators, boilers and the use of various volatile organic chemical containing materials.

See "AIRPORT SYSTEM ENVIRONMENTAL MATTERS."

It is not possible to predict whether future restrictions or limitations on operations at or affecting LAX will be imposed, whether future legislation or regulations will affect anticipated federal funding or passenger facility charge collections for capital projects for LAX or whether such restrictions or legislation or regulations would adversely affect Net Pledged Revenues or Subordinate Pledged Revenues.

Federal Funding; Impact of Federal Sequestration

On February 6, 2012, Congress passed a four-year reauthorization bill for the FAA, the FAA Modernization and Reform Act of 2012, which was signed into law on February 14, 2012 by the President. This was the first long-term FAA authorization since the last such authorization expired in 2007. Between 2007 and the 2012 reauthorization, there were 23 short-term extensions of the FAA's authority and a two-week partial shutdown of the FAA in the summer of 2011. On September 29, 2015, Congress passed another short-term extension of the FAA's authority that extended funding to March 31, 2016, the Airport and Airway Extension Act of 2015, which was signed into law on September 30, 2015 by the President. As reauthorized, the Airport and Airway Extension Act of 2015 retained the federal cap on passenger facility charges at $4.50 and authorizes $3.35 billion per year for the AIP through Federal fiscal year 2016. The AIP provides federal capital grants to support airport infrastructure, including entitlement grants (determined by formulas based on passenger, cargo, and general aviation activity levels) and discretionary grants (allocated on the basis of specific set-asides and the national priority ranking system). There can be no assurance that the FAA will receive spending authority beyond the recent six month extension. In addition, the AIP could be affected by the automatic across-the-board spending cuts, known as sequestration, described in more detail below. The Department is unable to predict the level of available AIP funding it may receive. If there is a reduction in the amount of AIP grants awarded to the Department for LAX, such reduction could (i) increase by a corresponding amount the capital expenditures that the Department would need to fund from other sources (including operating revenues, Additional Senior Bonds or additional Subordinate Obligations), (ii) result in decreases to the Department's Capital Improvement Plan or (iii) extend the timing for completion of certain projects. See "CAPITAL PLANNING – Capital Financing – Grants."

Federal funding received by the Department and aviation operations could be adversely affected by the implementation of sequestration – a unique budgetary feature first introduced in the Budget Control Act of 2011, which among other things, reduced subsidy payments to be made to issuers of "direct-pay" bonds, such as Build America Bonds, including the Series 2009C Subordinate Bonds and the Series 2010C Subordinate Bonds. The Department is unable to predict by what percentage, if any, reductions would be made to Build America Bonds subsidy payments in the future.

Sequestration could also adversely affect FAA and TSA budgets, operations and the availability of certain federal grant funds typically received annually by the Department which may cause the FAA or TSA to implement furloughs of its employees and hiring freezes, including air traffic controllers, and result in flight delays and flight cancellations, implement hiring freezes.

The Department is unable to predict future sequestration funding cuts or furloughs of federal employees responsible for federal airport security screening, air traffic control and CBP or the impact of such actions on airline traffic at LAX or the Department's revenues.

Considerations Regarding Passenger Facility Charges

Pursuant to the PFC Acts, the FAA has approved the Department's applications to require the airlines to collect and remit to the Department a passenger facility charge on each enplaning revenue passenger at LAX. The Department expects to use PFC revenues to pay a portion of the debt service on PFC Eligible Obligations.

Debt service to be paid with PFC revenues is not included in the coverage calculations described in "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015DE SENIOR BONDS – Passenger Facility Charges," "FINANCIAL AND OPERATING INFORMATION CONCERNING LAX – Report of the Airport Consultant; Projected Debt Service Coverage" and in APPENDIX A – "REPORT OF THE AIRPORT CONSULTANT – AIRPORT CAPITAL PROGRAM AND FUNDING – Summary of Capital Program Funding - Passenger Facility Charges."

No assurance can be given that the Department's authority to collect PFC revenues will be increased or extended. Further, no assurance can be given that PFC revenues will actually be received in the amounts or at the times contemplated by the Department. The amount and timing of receipt of actual PFC revenues are expected to vary depending on actual levels of qualified passenger enplanements at LAX. See "—Demand for Air Travel and Aviation Activity" above.

In addition, the FAA may terminate the Department's ability to impose PFC revenues, subject to informal and formal procedural safeguards, if (a) PFC revenues are not being used for approved projects in accordance with the FAA's approval, the PFC Acts or the regulations promulgated thereunder, or (b) the Department otherwise violates the PFC Acts or regulations. The Department's authority to impose passenger facility charges may also be terminated if the Department violates certain AIP grant assurances and certain provisions of the Airport Noise and Capacity Act of 1990 ("ANCA") and its implementing regulations relating to the implementation of noise and access restrictions for certain types of aircraft. The regulations under ANCA also contain procedural safeguards to ensure that the Department's authority to impose passenger facility charges would not be summarily terminated. No assurance can be given that the Department's authority to impose passenger facility charges will not be terminated by Congress or the FAA, that the passenger facility charge program will not be modified or restricted by Congress or by the FAA so as to reduce PFC revenues available to the Department or that the Department will not seek to decrease the amount of the passenger facility charges to be collected.

In the event the FAA or Congress reduced or terminated the Department's ability to collect PFC revenues, or passenger facility charge collections were otherwise less than anticipated, the Department would need to find other funding sources to pay debt service it expects to pay with PFC revenues. In addition, in such a circumstance the Department might need to find other sources of funding, including issuing additional parity securities, to finance the projects currently being paid for, or projected to be paid for, with PFC revenues.

See "CAPITAL PLANNING – Capital Financing – Passenger Facility Charges" and APPENDIX A – "REPORT OF THE AIRPORT CONSULTANT – AIRPORT CAPITAL PROGRAM AND FUNDING – Summary of Capital Program Funding – Passenger Facility Charges" for additional information about the Department's expected use of PFC revenues.

Delays and Cost Increases; Future Capital Projects; Additional Indebtedness

The estimated costs of and the projected schedule for the capital projects are described under "CAPITAL PLANNING – Capital Financing" and included in the financial analysis in the Report of the Airport Consultant are subject to a number of uncertainties and capital project budgets are updated from time to time. The ability of the Department to complete its capital projects may be adversely affected by various factors including: (i) estimating variations, (ii) design and engineering variations, (iii) changes to the scope of the projects, (iv) delays in contract awards, (v) material and/or labor shortages, (vi) unforeseen site conditions, (vii) adverse weather conditions, earthquakes or other casualty events, (viii) contractor defaults, (ix) labor disputes, (x) unanticipated levels of inflation and (xi) environmental issues. No assurance can be made that the existing projects will not cost more than the current budget for these projects. Any schedule delays or cost increases could result in the need to issue Additional Senior Bonds and/or additional Subordinate Obligations and may result in increased costs to the airlines operating at the Airport.

In addition, certain funding sources are assumed to be available for such projects. For example, the Report of the Airport Consultant assumes that the Department will receive AIP grant funding and TSA funding for various projects referenced under "CAPITAL PLANNING – Capital Financing – Grants" and described in greater detail in the Report of the Airport Consultant. See also "—Considerations Regarding Passenger Facility Charges" above. No assurances can be given that such funding will, in fact, be available. If such funding sources or other funding sources incorporated in the Report of the Airport Consultant are not available, the Department will have to eliminate or scale down projects or incur additional indebtedness, possibly including issuing Additional Senior Bonds and/or additional Subordinate Obligations, to finance such projects. Such changes could result in actual results differing materially from the forecasts in the Report of the Airport Consultant.

In addition, the Department intends to undertake future capital projects at LAX. Some of such projects are described in APPENDIX A – "REPORT OF THE AIRPORT CONSULTANT – AIRPORT CAPITAL PROGRAM AND FUNDING – Other Potential Airport Capital Improvements." Because the cost, scope and timing for undertaking other future projects not described in the Report of the Airport Consultant is uncertain, associated financial impacts are not included in the financial analysis in the Report of the Airport Consultant. In addition, it is possible that the Department may pursue projects not incorporated in the analysis reflected in the Report of the Airport Consultant, the costs of which are not known at this time. If additional projects are undertaken and other financing sources are not available, the Department likely would have to issue Additional Senior Bonds and/or additional Subordinate Obligations to finance such projects, and may have to divert resources to such projects. As a result, actual results could differ materially from forecasts.

The Department is in the process of defining and undertaking environmental review of the Landside Access Modernization Program (described below). The Landside Access Modernization Program includes a consolidated rental car facility (the "CONRAC") project. The Department's initial estimates of total costs of the Landside Access Modernization Program are in the range of $4.5 billion to $5.5 billion, approximately $1 billion of which are attributable to the CONRAC project. Until the design and procurement process is complete, the scope, timing of implementation, cost and approvals related to the potential Landside Access Modernization Program, are subject to substantial revisions. See "CAPITAL PLANNING – Certain Preliminary Stage Projects."

Department management intends to implement certain capital projects using a modular and phased approach, so that future projects (or project phases) can be deferred if unanticipated events occur (such as lower than anticipated growth or declines in aviation activity at LAX). The Department may ultimately decide not to proceed with certain capital projects or may proceed with them on a different schedule, resulting in different results than those included in the forecasts. The Department's ability to finance its Capital Improvement Plan also depends upon the orderly function of the capital markets which experienced substantial disruptions in late 2008. Another such disruption may negatively impact the timing and ability of issuers of municipal debt, such as the Department, to access short or long term funding. No assurance can be given that this source of funding will actually be available in the amounts or at the times desired by the Department.

See also "LITIGATION REGARDING THE AIRPORT SYSTEM AND THE DEPARTMENT – Runway 25L Construction Litigation" regarding recently constructed portions of Runway 25L, the centerline taxiway and other southside airfield improvements.

Seismic Risks; Other Force Majeure Events

The City is located in a seismically active region of the State. During the past 150 years, the Los Angeles area has experienced several major and minor earthquakes. On January 17, 1994, the Los Angeles area experienced an earthquake that measured 6.7 on the Richter Scale. LAX experienced no disruption of service following that incident. Damage in excess of $11 million was sustained at VNY and LAX. The Department received funds from the Federal Emergency Management Agency ("FEMA") and from its insurance carrier as a result of the earthquake damage at VNY. A forecast prepared by U.S. Geological Survey, Southern California Earthquake Center, and California Geological Survey and released in April 2008 indicates that there is a 67% chance that an earthquake measuring 6.7 or larger on the Richter Scale will occur in the greater Los Angeles area, and a 97% chance that such an earthquake will occur in Southern California, by 2037. LAX's facilities could sustain extensive damage in a major seismic event, ranging from total destruction of LAX to destabilization or liquefaction of the soils, to little or no damage at all.

The Department's ability to generate revenues is also at risk from other force majeure events, such as extreme weather events, droughts, and other natural occurrences, fires, explosions, spills of hazardous substances, strikes and lockouts, sabotage, or wars, blockades or riots. No assurance can be given that such events will not occur while the Series 2015DE Bonds are outstanding. Although the Department has attempted to mitigate the risk of loss from many of these occurrences by purchasing commercial property and casualty insurance, no assurance can be given that such insurance will always be available in sufficient amounts at a reasonable cost or available at all or that insurers will pay claims in a timely manner or at all.

Any damage to facilities or other properties could adversely affect the Department's revenues or require substantial new capital spending to replace or improve facilities. The Department carries only limited earthquake insurance as described under "FINANCIAL AND OPERATING INFORMATION CONCERNING LAX – Risk Management and Insurance." The Department is unable to predict when another earthquake or other force majeure event may occur and what impact, if any, it may have on the Department's operations or finances or whether the Department will have sufficient resources to rebuild or repair damaged facilities following a major earthquake or other force majeure event.

Capacity of the National Air Traffic Control System; Capacity of LAX

Demands on the national air traffic control system have, in the past, caused delays and operational restrictions affecting airline schedules and passenger traffic. The FAA is gradually implementing enhanced air traffic management programs, air navigation aids and procedures. Since 2007, airline traffic delays have decreased as a result of reduced numbers of aircraft operations, but, as airline travel increases in the future, flight delays and restrictions may be expected. In addition to any future constraints that may be imposed by the capacity of the national air traffic control system, future growth in airline traffic at LAX will depend on the capacity at LAX itself. In the Southern California Association of Governments ("SCAG") Regional Transportation Plan, the overall practical capacity of LAX was described as a range of 78.9 to 96.6 million annual passengers. The forecasts of the Airport Consultant is conditioned on the assumption that, during the forecast period, neither available airfield or terminal capacity, nor demand management initiatives, will constrain traffic growth at LAX.

Enforceability of Remedies; Limitation on Remedies

As discussed above under "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015DE SENIOR BONDS – Events of Default and Remedies; No Acceleration," there is no right to acceleration of payments to bondholders and bondholders may be required to make a separate claim for each semiannual payment not paid. Further, as discussed above under "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015DE SENIOR BONDS – Events of Default and Remedies; No Acceleration," the CP Reimbursement Agreements permit the CP Banks to accelerate the payments due the CP Banks in certain circumstances.

The rights and remedies available to the owners of the Series 2015DE Senior Bonds, and the obligations incurred by the Department, may become subject to, among other things, the federal bankruptcy code; applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting creditors' rights generally, now or hereinafter in effect; equity principles; limitations on the specific enforcement of certain remedies;

the exercise by the United States of America of the powers delegated to it by the Constitution; the reasonable and necessary exercise, in certain circumstances, of the police powers inherent in the sovereignty of the State and its governmental bodies having an interest in serving a significant and legitimate public purpose; and regulatory and judicial actions that are subject to discretion and delay. The foregoing could subject the owners of the Series 2015DE Senior Bonds to, among other things, judicial discretion and interpretation of rights; the automatic stay provisions of the federal bankruptcy code; rejection of significant agreements; avoidance of certain payments to the owners of the Series 2015DE Senior Bonds as preferential payments; assignments of certain obligations, including those in favor of the owners of the Series 2015DE Senior Bonds; significant delays, reductions in payments and other losses to the owners of the Series 2015DE Senior Bonds; an adverse effect on the liquidity and values of the Series 2015DE Senior Bonds; additional borrowing, which borrowing may have priority over the lien of the Master Senior Indenture; alterations to the priority, interest rate, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants) and other terms or provisions of the Master Senior Indenture or the Series 2015DE Senior Bonds, and other obligations.

Legal opinions to be delivered concurrently with the delivery of the Series 2015DE Senior Bonds will be qualified to the extent that the enforceability of certain legal rights related to the Series 2015DE Senior Bonds may be subject to general principles of equity which permit the exercise of judicial discretion and are subject to the provisions of applicable bankruptcy, insolvency, reorganization, arrangement, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, as well as limitations on legal remedies against cities in the State of California.

Rate Covenant Limitations

As described under "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015DE SENIOR BONDS – Senior Rate Covenant," the Senior Indenture includes covenants with respect to the establishment of rates and charges. However, the Senior Indenture provides that so long as the Department is taking specified steps to meet the applicable rate covenant, an event of default will not be triggered until the end of the second subsequent Fiscal Year. The ability of the Department to increase rates and charges and to reduce expenses is limited by, among other things, federal law (including the provisions thereof described under "—Regulations and Restrictions Affecting LAX") and certain agreements with airlines and other users of LAX facilities. See "USE OF AIRPORT FACILITIES."

Assumptions in the Report of the Airport Consultant

The Report of the Airport Consultant included as APPENDIX A incorporates numerous assumptions regarding the utilization of LAX and other matters and states that the report is subject to uncertainties. The Report of the Airport Consultant should be read in its entirety for an understanding of all of the assumptions used to prepare the forecasts made therein. No assurances can be given that the assumptions on which the forecasts in the Report of the Airport Consultant is based will materialize. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances will occur. Therefore, actual results achieved during the forecast period will vary from those set forth in APPENDIX A and the variations may be material. Further, the Report of the Airport Consultant does not cover the entire period through maturity of the Series 2015DE Senior Bonds. See APPENDIX A – "REPORT OF THE AIRPORT CONSULTANT." See also "—Delays and Cost Increases; Future Capital Projects; Additional Indebtedness."

Retirement Plan Funding

As described under "THE DEPARTMENT OF AIRPORTS – Retirement Plan," Department employees, including Airport Police, participate in the Los Angeles City Employees' Retirement System ("LACERS"). The LACERS Actuarial Valuation and Review of Retirement and Health Benefits as of June 30, 2014 ("LACERS Valuation Report" and together with the Los Angeles City Employees' Retirement System, Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2014, the "LACERS Reports") has reported unfunded actuarial accrued liabilities ("UAAL") for retirement benefits and for health subsidy benefits as described in more detail in APPENDIX G – "CERTAIN INFORMATION REGARDING THE CITY OF LOS ANGELES." LACERS UAALs and sustained increases in the costs of providing retirement and health subsidy benefits may require the Department to make substantial contributions to LACERS in the future and may adversely affect the Department's financial condition. Factors beyond the Department's control, including but not limited to, returns on LACERS plan assets, may affect the Department's retirement and health subsidy benefit expenses and may increase the Department's related funding obligations. The Department expects to be required to make substantial contributions to LACERS in the future to fund LACERS UAALs attributable to LAX. See "THE DEPARTMENT OF AIRPORTS – Retirement Plan" and APPENDIX G – "CERTAIN INFORMATION REGARDING THE CITY OF LOS ANGELES."

AIRLINE INDUSTRY INFORMATION

General

Many of the major scheduled domestic airlines serving LAX, or their respective parent corporations, and many of the foreign airlines serving LAX with American Depository Receipts ("ADRs") registered on a national exchange, are subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith file reports and other information with the Securities and Exchange Commission (the "SEC"). Certain information, including financial information, concerning such domestic airlines, or their respective parent corporations, and such foreign airlines is disclosed in certain reports and statements filed with the SEC. Such reports and statements can be inspected and copied at the public reference facilities maintained by the SEC, which can be located by calling the SEC at 1-800-SEC-0330. The SEC maintains a web site containing reports, proxy statements and other information regarding registrants that file electronically with the SEC. In addition, each airline is required to file periodic reports of financial aid and operating statistics with the United States Department of Transportation ("U.S. DOT"). Such reports can be inspected at the U.S. DOT's Office of Airline Information, Bureau of Transportation Statistics, Department of Transportation, 1200 New Jersey Avenue, S.E., Washington, D.C. 20590, and copies of such reports can be obtained from U.S. DOT at prescribed rates.

Foreign airlines serving LAX, or foreign corporations operating airlines serving LAX (unless such foreign airlines have ADRs registered on a national exchange), are not required to file information with the SEC. Such foreign airlines, or foreign corporations operating airlines serving LAX, file limited information only with the U.S. DOT. See "CERTAIN INVESTMENT CONSIDERATIONS – Demand for Air Travel and Aviation Activity," "—Financial Condition of the Airlines," "—Effect of Airline Bankruptcies" and "—Security Concerns."

The Department undertakes no responsibility for and makes no representation as to the accuracy or completeness of (i) any reports and statements filed with the SEC or U.S. DOT as described in this section or (ii) any material contained on the SEC's website as described in this section, including, but not limited to, updated information on the SEC website or links to other Internet sites accessed through the SEC's website. Any such information is not part of this Official Statement nor has such information been incorporated by reference herein, and such information should not be relied upon in deciding whether to invest in the Series 2015DE Senior Bonds.

SPECIAL FACILITY FINANCINGS

LAX Special Facility Obligations

Pursuant to the Master Senior Indenture, the Department may (i) designate a separately identifiable existing facility or improvement or a planned facility or improvement as a "LAX Special Facility", (ii) pursuant to an indenture other than the Master Senior Indenture and without a pledge of any Pledged Revenues (except as otherwise provided in (iv) below), incur debt primarily for the purpose of acquiring, constructing, renovating or improving, or providing financing or refinancing to a third party to acquire, construct, renovate or improve, such facility or improvement, (iii) provide that the contractual payments derived from or related to such LAX Special Facility, together with other income and revenues available to the Department from such LAX Special Facility to the extent necessary to make certain payments required under the Master Senior Indenture, will be "LAX Special Facilities Revenue" and will not be included as Pledged Revenues, unless otherwise provided in any supplemental indenture, and (iv) provide that the debt so incurred shall be an "LAX Special Facilities Obligation" and the principal of and interest thereon shall be payable solely from the LAX Special Facilities Revenue and the proceeds of such LAX Special Facilities Obligation set aside exclusively to pay debt service on such LAX Special Facility Obligation (except the Department may, in its sole discretion, determine to make Pledged Revenues or such other moneys not included in Pledged Revenues available (through a specific pledge or otherwise and subject to any covenant or other provisions of the Master Senior Indenture or such other indentures or agreements of the Department) to the payment of principal of and interest on such LAX Special Facility Obligation in such amounts and at such times as may be agreed to by the Department). The Department may from time to time refinance any such LAX Special Facility Obligation with other LAX Special Facility Obligations.

See APPENDIX C – "CERTAIN DEFINITIONS AND SUMMARIES OF THE MASTER SENIOR INDENTURE AND THE SIXTEENTH SUPPLEMENTAL SENIOR INDENTURE – SUMMARY OF THE

MASTER SENIOR INDENTURE – LAX Special Facilities and LAX Special Facility Obligations." The Department does not currently have any outstanding LAX Special Facility Obligations.

Conduit Financings

In addition to the improvements financed or planned to be financed at LAX through the issuance of revenue bonds, interest income, PFC revenues and grants-in-aid, other improvements at LAX have been financed through the issuance of bonds by RAIC and by the California Statewide Communities Development Authority ("CSCDA"). Bonds of RAIC and CSCDA are not obligations of the Department or the City, are not payable from or secured by any pledge of, or lien upon, moneys in the Airport Revenue Fund, and do not rely on the taxing power of the City. RAIC and CSCDA bonds are secured solely by the payment obligations of the airlines or other users of the facilities financed with such bonds and, in the case of RAIC bonds, by leasehold deeds of trust on the financed properties.

Certain of the outstanding RAIC bonds have buy-back rights, whereby the Department may, at any time, purchase the financed facilities by retiring the bonds used to finance those facilities. The Department may from time to time identify leases related to improvements which can be terminated on terms favorable to the Department. Financing for any such lease terminations and any restructuring of third-party debt associated with such lease terminations could be provided by the Department through use of moneys in the Airport Revenue Fund or by issuing Additional Senior Bonds, additional Subordinate Bonds, Subordinate Commercial Paper Notes or other obligations of the Department. See "USE OF AIRPORT FACILITIES – Terminal Leases."

THE DEPARTMENT OF AIRPORTS

General Description

The City, acting through the Department, currently operates three airports in LAX's Service Region. The airports are LAX, LA/ONT and VNY. The Department voluntarily returned the certificate relating to LA/PMD to the FAA, but may, upon compliance with certain requirements, request to have the LA/PMD certificate reissued. The Airport System is operated as a financially self-sufficient enterprise, without City General Fund support.

LAX is described under "LOS ANGELES INTERNATIONAL AIRPORT."

LA/ONT is a medium-hub, full-service airport with commercial jet service to many major cities in the United States and connecting service to many international destinations. LA/ONT is located approximately 35 miles east of downtown Los Angeles and approximately 50 miles east of LAX and occupies approximately 1,463 acres. LA/ONT served approximately 4.2 million enplaned and deplaned passengers in Fiscal Year 2015, representing approximately 5.0% of the total enplaned and deplaned passengers of the Airport System for Fiscal Year 2015. As of August 1, 2015, LA/ONT was served by eight scheduled passenger carriers and cargo carriers and approximately 14 unscheduled passenger and cargo carriers. The Department operates LA/ONT pursuant to a Joint Powers Agreement with the City of Ontario. See "LITIGATION REGARDING THE AIRPORT SYSTEM AND THE DEPARTMENT – LA/ONT Litigation" with respect to certain litigation involving LA/ONT.

VNY is a general aviation airport located approximately 20 miles northwest of downtown Los Angeles, in the San Fernando Valley, and occupies approximately 730 acres. VNY is one of the busiest general aviation airports in the United States with over 220,000 operating movements in Fiscal Year 2015 as reported by the FAA. More than 100 businesses are located at the airport, including five fixed-base operators and numerous other aviation service companies. These businesses cater to a variety of private, government and corporate aviation needs.

LA/PMD is located in the Antelope Valley approximately 60 miles north of LAX. Currently, there is no scheduled service at LA/PMD. The Department owns approximately 17,500 acres of land at and around LA/PMD. The Department has transferred operation, management, and control of the LA/PMD terminal facility from the Department to the City of Palmdale, but has retained certain rights for future development of the adjoining 17,500 acres.

Airports in Airport System Comparison

Certain operating data for LAX, LA/ONT, VNY and LA/PMD is set forth below. The Department uses the method of counting passengers and cargo that is used by ACI, the effect of which is to include transit passengers and cargo.

TABLE 4
DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES
OPERATING RESULTS FOR AIRPORT SYSTEM
FISCAL YEAR 2015[(1)]

Airport	Net Operating Revenues (000)[(2)]	Enplanements and Deplanements	Aircraft Arrivals and Departures	Total Landed Weight (000 Lbs.)[(3)]	Enplaned/Deplaned Cargo (Tons)
LAX	$ 400,402	72,077,619	608,607	54,990,239	2,109,144
LA/ONT	4,263	4,165,442	64,075	4,692,704	483,349
VNY	4,365	--	136	43,856	--
LA/PMD[(4)]	494	--	--	--	--
Total[(5)]	$ 409,524	76,243,061	672,818	59,725,339	2,592,493

(1) Derived from unaudited financial statements.
(2) Operating revenues less operating expenses, before depreciation. This definition of Net Operating Revenues varies from the definition of the term "Net Pledged Revenues" as defined in the Senior Indenture.
(3) Reflects landed weight for revenue-generating landings only.
(4) See "—Subsidization of Other Airports" below. Currently there is no scheduled service at LA/PMD. See "—General Description."
(5) Numbers may not add due to rounding.
Source: Department of Airports of the City of Los Angeles.

Subsidization within the Airport System

Previous provisions of the Charter (which have been deleted from the current Charter) required LAX Revenues to be used to make up any deficiencies of any of the other airports in the Airport System, including any operating losses and major catastrophic or other liabilities of such airports. Although the current Charter no longer contains any requirement for subsidization within the Airport System, the Department anticipates that LAX Revenues will continue to be used for subsidizing deficiencies incurred in the Airport System. No assurance can be given that major catastrophic liabilities or other unanticipated events will not occur within the Airport System which would require substantial unanticipated transfers of LAX revenues or that subsidies, if provided to the other airports in the Airport System, will not be substantially higher than they have been in the past.

It is the Department's expectation that LA/ONT be operated as an entirely self-sufficient enterprise (absent extraordinary circumstances) and that LAX Revenues are expected to continue to be used to subsidize VNY and LA/PMD, to the extent necessary. However, the Board may elect to provide funding for various enhancements within the Airport System, including LA/ONT, as part of its regional planning efforts. LAX Revenues were last used to subsidize operations at LA/ONT in Fiscal Year 2002. See "LITIGATION REGARDING THE AIRPORT AND THE AIRPORT SYSTEM."

VNY serves as a reliever airport for LAX. Any VNY subsidy, when provided, is recovered by the Department through an increase in landing fees at LAX. Landing fees at LAX are calculated based on LAX's operating costs and amortization of debt as well as certain costs associated with VNY. While no current subsidy is provided, the Department has provided subsidies in the past and may provide subsidies to VNY in the future.

In Fiscal Year 2015, LAX provided a subsidy of approximately $355,000 to LA/PMD. The subsidy for LA/PMD is not incorporated in LAX landing fees but rather is paid from discretionary funds and may increase or decrease in the future. See "AIRPORT SYSTEM ENVIRONMENTAL MATTERS – Hazardous Substances."

Board of Airport Commissioners

The Department is governed by the Board which is in possession, management and control of the Airport System. The Board is comprised of seven members. Each member is appointed by the Mayor of the City (the "Mayor"), subject to confirmation by the City Council, for staggered five-year terms. A Board member continues to hold office following the expiration of his or her term until a replacement has been appointed and confirmed by the City Council. One member is required to live near LAX and one is required to live near VNY. The President and Vice President of the Board are elected by the Board members for one-year terms. The current members of the Board are set forth below:

Member	Occupation	Date of Appointment	Current Term Expires
Sean O. Burton, President	Real Estate Investor	August 2013	June 30, 2019
Valeria C. Velasco, Vice President	Attorney	September 2005	June 30, 2017
Gabriel L. Eshaghian	Real Estate Investor	August 2013	June 30, 2019
Nolan V. Rollins	Attorney	August 2015	June 30, 2019
Beatrice C. Hsu	Business Executive	August 2013	June 30, 2016
Jeffery J. Daar	Attorney	August 2015	June 30, 2020
Cynthia A. Telles	Civic Leader	August 2013	June 30, 2018

The Charter provides that, in the event a Board member has reason to believe that such Board member might have a conflict of interest disqualifying such Board member from acting on a matter and the City Attorney decides that it is probable that a court would hold that a disqualification exists, the matter will be referred to the Board of Referred Powers. The Board of Referred Powers consists of five members of the City Council, two of whom are designated by the President of the City Council and three of whom consist of the Chairman of the Budget and Finance Committee, the Chairman of the Land Use Management Committee and the Chairman of the Commerce, Energy and Natural Resources Committee.

Oversight by City Council

The Charter allows the City Council to review all Board actions. The Charter states that actions of the Board become final at the expiration of five meeting days of the City Council unless the City Council acts within that time, by a two-thirds vote, to bring an action of the Board before the City Council for review or to waive review of the action. If the City Council chooses to assert jurisdiction over the action, the City Council may, by a two-thirds vote, veto the action of the Board within 21 calendar days of voting to bring the matter before it, or the action of the Board is final. An action vetoed by the City Council shall be remanded to the Board which will have the authority it originally held to take action on the matter. In addition, the Charter provides that certain actions of the Board, including the issuance of debt, must also be approved by the City Council. The City Council approved the issuance of the Series 2015DE Senior Bonds on December 16, 2014.

Department Management

Responsibility for the implementation of the policies formulated by the Board and for the day-to-day operations of the Airport System rests with the senior management of the Department. The Executive Director is appointed by the Board, subject to confirmation by the Mayor and the City Council. Subject to civil service rules and regulations, she is empowered to appoint and remove the senior managers. Within each of the various divisions in the Department, there are various sections that are assigned certain responsibilities for the efficient operation and development of the Airport System. As of June 30, 2015 there were 3,946 authorized positions for the Airport System. The current principal administrative officers and their positions are named below:

Deborah Flint, Executive Director. Deborah Flint was appointed Executive Director in June 2015, and oversees three airports, LAX, LA/ONT and VNY. Ms. Flint came to the Department from the Port of Oakland where she held the position of aviation director since 2010, being the primary executive responsible for the operation, management and business development of Oakland International Airport ("OAK"). Prior to serving as aviation director at the Port of Oakland, Ms. Flint was the assistant aviation director and led the operation of the airport. Other experiences include leading OAK's Capital Program in which she coordinated the design, financing and implementation of major airport projects, as well as participated in the issuance of hundreds of millions of dollars in revenue bonds. She also served as acting port executive director of the Port of Oakland (maritime). She began her career with the port in 1992 in port finance and advanced through the port's Finance and Aviation divisions. Ms. Flint holds a Bachelor of Science degree in business administration from San Jose State University, and attended the Executive Leadership Institute's Continuing Education in Public Administration program. She was appointed in 2012 to the President's Advisory Committee on Consumer Protection (aviation). She also serves on the Transportation Research Board's Airport Cooperative Research Program and the California Airports Council, and is a regional advisor to the Airports Council International World Board.

Stephen C. Martin, Chief Operating Officer. Mr. Martin was appointed Chief Operating Officer in January 2008. Mr. Martin has over 30 years of experience in airports and transportation development and finance. Prior to joining the Department, Mr. Martin served as Executive Vice President and Chief Financial Officer of ACI-North America. Previously, he was a consultant for 10 years with LeighFisher Associates in San Francisco where he specialized in finance, project development and privatization. Mr. Martin also held the position of Director of Financial Development in the Office of the Secretary at the U.S. DOT from 1993 to 1996. Earlier in his career, Mr. Martin was with the Massachusetts Port Authority ("Massport") for twelve years. For six of those years he was the Director of Finance and Business Development for all of Massport's lines of business. Initially at Massport, Mr. Martin worked at Logan International Airport (BOS) as an Assistant Director of Aviation. Mr. Martin has a Master's degree in economics from Northeastern University and a Bachelor's degree in economics from the University of Massachusetts.

Ryan Yakubik, Chief Financial Officer. Mr. Yakubik was appointed Chief Financial Officer in 2014. He served as Director of Capital Development and Budget beginning October 2007. He is responsible for overseeing the Department's rates and charges, grants administration, operating budget, capital budget and all debt-related functions at LAX and LA/ONT. Mr. Yakubik came to the Department after more than eight years in the financial services industry where he most recently served as a fixed income portfolio manager for institutional clients. Mr. Yakubik holds a Bachelor of Arts degree in Economics from the University of California at Los Angeles and is a Chartered Financial Analyst.

Debbie Bowers, Deputy Executive Director, Commercial Development. Ms. Bowers was appointed as Deputy Executive Director, Commercial Development in April 2008. In this role, she manages major revenue-generating programs of the Department, including property leasing and development, terminal concessions, rental cars, advertising and landside contracts for taxi, shuttle and parking management. Ms. Bowers has more than twenty years of experience in private and public sector commercial real estate. Most recently, she served as the Acting Deputy Airport Director for the Aviation Department in Broward County, Florida and as Assistant to the County Administrator, Deputy Port Director and Director of Real Property. Prior to her work in government, Ms. Bowers worked as an executive in corporate real estate. Ms. Bowers holds a Juris Doctor degree from the Chicago-Kent College of Law, Illinois Institute of Technology; Master of Business Administration-Finance degree from Florida Atlantic University; and Bachelor of Science degree in Chemistry from the University of Southern Alabama.

Patrick M. Gannon, Deputy Executive Director, Homeland Security and Law Enforcement. Airport Police Chief, Patrick Gannon was appointed Deputy Executive Director for Homeland Security and Law Enforcement in June 2014. Chief Gannon also continues to serve as chief of Airport Police. As Deputy Executive Director for Homeland Security and Law Enforcement, Gannon provides leadership, management oversight and policy direction to all law enforcement and security staff at the Department's three airports; coordinates with other law-enforcement agencies; is responsible for counter-terrorism efforts; and oversees firefighting, emergency medical, and fire-prevention services provided by the Los Angeles Fire Department at LAX. He also participates in airport-wide leadership teams and has responsibility for integrating the law enforcement and homeland security functions with Airport Operations and other aviation staff. Mr. Gannon joined the Department as chief of Airport Police in October 2012 after retiring from the Los Angeles Police Department ("LAPD") following 34 years of service, of which 12 years were at the executive management level. At the time of his retirement, he was serving as deputy chief and commanding officer of LAPD's Operations-South Bureau. This bureau serves more than 800,000 residents in South Los Angeles with 1,700 sworn employees and 150 civilian employees. Mr. Gannon successfully completed the Senior Management Institute for Police in Boston and the West Point Leadership Program and holds a bachelor's degree in Public Administration from California State University, Dominguez Hills and a master's degree in Public Administration from the University of Southern California.

Roger Johnson, Deputy Executive Director, Los Angeles World Airports. Mr. Johnson is the Program Director for the Airports Development Group, which is responsible for the modernization of LAX, and he oversees all major construction projects at LA/ONT and VNY. Mr. Johnson has been with the Department since 2006, and also served the Department from 2000-2003 as Deputy Executive Director for Technology and Environmental Affairs. Mr. Johnson is the Program Director for the Department's Development Group and is responsible for the LAX modernization and for major construction projects at LA/ONT and VNY. Mr. Johnson has more than 30 years of experience in construction, construction management, environmental management and civil and environmental engineering. Previously, Mr. Johnson was the program manager for the LAX Master Plan Program Environmental Impact Study/Environmental Impact Report (the "LAX Master Plan Program EIR"). His professional experience also includes serving as the Vice President and Technical Services Manager for Camp Dresser & McKee Inc. where he was responsible for management of the Aviation, Planning and Environmental and Land Use Planning Division. Mr. Johnson graduated from California State Polytechnic University, Pomona with a Bachelor of Science in Engineering.

Samson Mengistu, Deputy Executive Director, Administration. Mr. Mengistu is the Deputy Executive Director for Administration at the Department. In this position he oversees the functions of the Comptroller, the Board Office, Human Resources, Risk Management and Contract Services. Mr. Mengistu joined the City in 1989 after working extensively in the property management field. Mr. Mengistu established and managed the Department's soundproofing program. Immediately prior to his current position, he served as Deputy Executive Director for Finance and Administration and as the Department's Acting Executive Director from February to June 2007. Mr. Mengistu was appointed Deputy Executive Director of Board Relations and Special Programs in 2003, serving as the Board liaison. In addition, he was in charge of the Department's $500 million Property Acquisition Program and the Risk Management and Procurement Divisions. As Chief Assistant to the Executive Director from 1999 to 2003, he assisted in managing and directing professional, technical and support personnel. Mr. Mengistu earned a Bachelor of Arts degree in Economics and a Master of Science in Public Administration from California State University, Los Angeles.

Cynthia Guidry, Deputy Executive Director, Capital Programming and Planning Group. Cynthia Guidry manages the Capital Programming and Planning Group ("CPPG") for the Department. She was appointed Deputy Executive Director of CPPG on January 31, 2014, and oversees Planning, Engineering, Environmental and Facilities Management divisions. In this position she manages a team of professionals to develop the Department's Capital Improvement Program and plan airside, landside and terminal projects. CPPG also is responsible for preparing environmental, land use compatibility and entitlement documents and coordinating with multiple agencies, tenants and community stakeholders. Ms. Guidry's staff provides technical expertise and support for facility infrastructure improvements and manages critical systems such as the LAX Central Utility Plant. Ms. Guidry joined the Department in August 2001 and during her tenure has held a number of positions. For the past five years, Ms. Guidry held the position of Chief Airport Planner. She is a registered Professional Engineer. Ms. Guidry holds a Bachelor of Science degree in Civil Engineering from the University of California at Irvine and a Master of Business Administration degree from Pepperdine University.

Jacqueline Yaft, Deputy Executive Director, Operations, Maintenance and Emergency Management. Mrs. Yaft was appointed Deputy Executive Director, Operations, Maintenance and Emergency Management in July 2009. She is responsible for airside, terminal and landside operations at all of the airports in the Airport System, the Department's Emergency Management Division, and the Maintenance Services Division. Prior to joining the Department, Mrs. Yaft worked at Denver International Airport (DIA) where she held the position of Assistant Deputy Manager of Aviation. Mrs. Yaft held positions with John F. Kennedy International Airport (JFK) in New York and with Kansas City International Airport (MCI) in Missouri. She holds a Bachelor of Science degree in Aviation Management from the Metropolitan State College of Denver and a Master's in Business Administration from Embry-Riddle Aeronautical University.

Wei Chi, Deputy Executive Director, Comptroller. Mr. Chi was appointed as Deputy Executive Director and Comptroller in August 2008. He is responsible for managing the Department's Financial Reporting, Risk Management, Accounting Operations and Financial Management System divisions. Before joining the Department, Mr. Chi was the Assistant Chief Financial Officer for the Port of Long Beach. Prior to the Port of Long Beach, he was a senior executive with BP, plc and ARCO for over 25 years, serving in a variety of global roles including treasury, planning, retail, human resources and operations. Mr. Chi holds a Master of Business Administration degree in Finance from the Wharton School at the University of Pennsylvania and a Bachelor of Science degree in Chemical Engineering from Columbia University.

Dominic Nessi, Deputy Executive Director, Chief Information Officer. Mr. Nessi was appointed Deputy Executive Director and Chief Information Officer in September 2007. He is responsible for all information technology-related functions. Prior to joining the Department, Mr. Nessi was in the federal government's Senior Executive Service where he served as the first Chief Information Officer of the United States Department of the Interior - U.S. National Park Service. Mr. Nessi also served as Chief Information Officer of the United States Bureau of Indian Affairs from 1998 to 2001 and as a Deputy Assistant Secretary for the United States Department of Housing and Urban Development from 1988 through 1997. Mr. Nessi holds a Bachelor of Science degree in Computer Science from Roosevelt University in Chicago, a Bachelor of Arts degree in Political Science from Northern Illinois University, a Masters in Public Administration from the University of Colorado, a Master's Certificate in Applied Project Management from Villanova University in Pennsylvania and a variety of other professional certifications.

David Shuter, Deputy Executive Director, Facilities Maintenance and Utilities Group. Mr. Shuter was appointed as a Deputy Executive Director in October 2006. Mr. Shuter oversees the Facilities Engineering and Technical Services Division and the Maintenance Services Division. In his previous position as Deputy Executive Director for Projects and Facilities Development, from 2006-2009, Mr. Shuter also oversaw the Major Projects Division. Prior to joining the Department, Mr. Shuter served as vice president and regional manager for Gannett Fleming, Inc., providing project and program management services. As a Brigadier General, U.S. Marine Corps, Mr. Shuter had full authority for all facets of airfield operations, construction and facilities maintenance over four air bases in the western U.S. Following his Marine Corps career he was the executive director of the Orange County Fixed Guideway Agency, a member of the Orange County Airport Land Use Commission, and General Manager of Powers Design International, a company that built concept cars for Ford and some international manufacturers. Mr. Shuter holds a Bachelor of Science degree in Aeronautical Engineering and a Master of Science in Aerospace Engineering.

Raymond S. Ilgunas, General Counsel. Mr. Ilgunas is a Managing Assistant City Attorney and serves as General Counsel to the Department. He advises the Board, the Department, the Department's Executive Director, the City Council and its subcommittees and the Mayor on legal matters relating to the operation and management of the Airport System. He is responsible for overseeing all cases and contracts relating to the Airport System and providing specialized legal counsel on federal regulatory matters governing airports. Also, he is the primary counsel to the Department's Chief Operating Officer and Finance Division in connection with all Airport System financing issues. Prior to joining the Department, Mr. Ilgunas also served as counsel to the Community Redevelopment Agency of the City of Los Angeles (the "CRA/LA"). In this capacity, he provided legal advice to the CRA/LA's Board, its Housing, Management and Budget and Project Review Committees, the Executive Director, City Council and its subcommittees and the Mayor concerning all aspects of redevelopment. Prior to his position at CRA/LA, Mr. Ilgunas held a variety of legal positions serving as counsel to the Land Use, Ethics, General Counsel and Criminal Divisions in the City Attorney's Office. Mr. Ilgunas serves on the ACI-North America and California Airports Council Legal Steering Committees and Los Angeles County Bar Judicial Applications Evaluation Committee. Mr. Ilgunas holds a Juris Doctorate degree from Loyola Law School, Los Angeles and a Bachelor of Arts degree from Loyola Marymount University.

Employees and Labor Relations

The Department is a civil service organization, which as of October 1, 2015 had 3,946 authorized positions, of which 3,679 were authorized at LAX, 204 were authorized at LA/ONT and 63 were authorized at VNY. Department employees are employed in more than 221 different civil service classifications. This wide range of job classifications is grouped into eight job categories, including Officials and Administrators, Professionals, Technicians, Protective Service, Paraprofessionals, Administrative Support, Skilled Craft and Service Maintenance.

As a municipal organization, the Department's employee and labor relations are governed by applicable State and City civil service rules and regulations as well as 23 separate labor agreements between management and unions ("Memoranda of Understanding"). Most of the Department's employees are covered by the Memoranda of Understanding. The following table lists all Memoranda of Understanding between the Department and labor and management unions as of October 1, 2015.

TABLE 5
DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES
LOS ANGELES INTERNATIONAL AIRPORT
MEMORANDA OF UNDERSTANDING
BETWEEN THE CITY AND
EMPLOYEE LABOR ORGANIZATIONS REPRESENTING EMPLOYEES OF THE DEPARTMENT

Bargaining Unit	Expires
Service Employees International Union, Local 721	
Equipment Operation and Labor Employees Representation Unit No. 4	June 30, 2014*
Professional Engineering and Scientific Unit No. 8	June 30, 2014*
Service and Craft Representation Unit No. 14	June 30, 2014*
Service Employees Representation Unit No. 15	June 30, 2014*
Supervisory Professional Engineering and Scientific Unit No. 17	June 30, 2014*
Safety/Security Representation Unit No. 18	June 30, 2014*
Municipal Construction Inspectors Association, Inc.	
Inspectors Unit No. 5	June 30, 2014*
Los Angeles Professional Managers Association	
Management Employees Unit No. 36	June 30, 2014*
American Federation of State, County and Municipal Employees	
Clerical and Support Services Unit No. 3	June 30, 2014*
Executive Administrative Assistants Unit No. 37	June 30, 2014*
Engineers and Architects Association	
Administrative Unit No. 1	June 30, 2016
Supervisory Technical Unit No. 19	June 30, 2016
Supervisory Administrative Unit No. 20	June 30, 2016
Technical Rank and File Unit No. 21	June 30, 2016
Local No. 501, International Union of Operating Engineers	
Plant Equipment Operation and Repair Representation Unit No. 9	June 30, 2014*
Los Angeles City Supervisors and Superintendents Association, Laborer's International Union of North America, Local 777	
Supervisory Blue Collar Unit No. 12	June 30, 2014*
Los Angeles/Orange Counties Building and Construction Trades Council	
Building Trades Rank and File Representation Unit No. 2	June 30, 2014*
Supervisory Building Trades and Related Employees Representation Unit No. 13	June 30, 2014*
Use of Union Hiring Halls for Temporary Use of Craft Workers No. 35	On-going
All City Employees Association, Local 2006, AFSCME, Council 36, AFL-CIO	
Professional Medical Services Unit No. 10	June 30, 2014*
Los Angeles Airport Peace Officers Association	
Peace Officers Representation Unit No. 30	June 30, 2014*
Airport Supervisory Police Officers' Association of Los Angeles	
Supervisory Peace Officers' Unit No. 39	June 30, 2014*
Airport Police Command Officers Association of Los Angeles	
Management Peace Officers' Unit No. 40	June 30, 2014*

* Negotiations pending. The agreement applicable to each employee labor organization remains in effect until a new agreement is reached, subject to termination by either party.
Source: Department of Airports of the City of Los Angeles.

The Human Resources Division of the Department is responsible for counseling employees and managers regarding proper personnel and civil service procedures and rules; representing management in contract negotiations with unions; maintaining a comprehensive strike plan for the Department's various divisions; acting as hearing officer in disciplinary meetings; representing management in grievance arbitration hearings; providing recommendations to management on staffing needs; and providing training to employees and supervisors.

Retirement Plan

Department employees, including Airport Police, participate in LACERS. LACERS is a contributory plan, established in 1937 under the Charter, covering most City employees except certain uniformed fire and police personnel and employees of the Department of Water and Power. The LACERS plan is the obligation of the City. Under requirements of the Charter, the Department makes contributions to LACERS with respect to its employees in amounts determined by LACERS and its actuaries. The Department does not participate in the governance or management of LACERS.

The Department's pension cost varies from year to year depending on, among other things, the annual contribution rate determined by LACERS and its actuaries, the total salaries paid to the Department's covered employees and the retirement benefits accruing to those employees. The Department contributed approximately $69.1 million, $62.1 million, $58.0 million, $54.7 million and $50.2 million to LACERS with respect of LAX in Fiscal Years 2016, 2015, 2014, 2013 and 2012, respectively. For each of these Fiscal Years, the contribution made by the Department equaled 100% of the annual required contribution as calculated by LACERS and its actuaries. For the Fiscal Year 2015, pursuant to GASB 68 (as described below), a proportional allocation of the City's Net Pension Liability (as described below) in the aggregate amount of approximately $566.6 million was allocated to the Department with respect to LAX. In 2012, GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions ("GASB 68"), which applies to governmental entities such as the Department. GASB 68 revised and established new financial reporting requirements for most governments that provide their employees with pension benefits, including the Department. GASB 68, among other things, requires governments providing defined benefit pensions to recognize the difference between pension plans' fiduciary net position (the amount held in a trust for paying retirement benefits, generally the market value of assets) and their long-term obligation for pension benefits as a liability ("Net Pension Liability"), and provides greater guidance on measuring such obligation, including specific guidelines on projecting benefit payments, use of discount rates and use of the "entry age" actuarial cost method. GASB 68 also revised and implemented new note disclosures and required supplementary information. The GASB 68 standards apply to financial reporting but not to the actuarial calculation of annual employer pension contributions, which continue to be determined actuarially by each plan. The provisions in GASB 68 are effective for fiscal years beginning after June 15, 2014. GASB 68 addresses the disclosure of pension liability only and does not impose any funding requirements.

Due to LACERS' smoothing methodology, certain investment losses have not been recognized in the determination of LACERS' UAAL. Contributions by the Department to LACERS are expected to increase significantly in the coming Fiscal Years, as contribution rates are subject to change due to changes in market conditions, assumptions and funding methodologies.

Investors are cautioned that information about LACERS, including UAALs, funded ratios and calculations of required contributions, included or referenced in this Official Statement, are "forward looking" information. Such "forward looking" information reflects the judgment of LACERS and its actuaries as to the amount of assets that LACERS will be required to accumulate to fund future benefits over the lives of the currently active employees, vested terminated employees and existing retired employees and beneficiaries. These judgments are based upon a variety of assumptions, one or more of which may prove to be inaccurate and/or be changed in the future.

For information regarding LACERS unfunded actuarial accrued liability with respect to retirement benefits and health subsidy benefits, the actuarial value of LACERS total system assets, the market value of LACERS total system assets, the valuation value of LACERS retirement system assets, the market value of LACERS retirement system assets, the valuation value of LACERS retiree health assets, the market value of LACERS retiree health assets and the valuation value of LACERS total funded ratio and the City's projected contributions to LACERS for the next four years and related assumptions regarding LACERS, the City's projections of contribution rates and required annual contributions, LACERS's application of Governmental Accounting Standards Board Statements No. 67 (Financial Reporting for Pension Plans) and GASB 68, and additional information regarding LACERS, see APPENDIX G – "CERTAIN INFORMATION REGARDING THE CITY OF LOS ANGELES," which has been reproduced from relevant portions of the City Appendix A, which is available from the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system and the LACERS Reports, both of which are available on LACERS' website and which contain additional information regarding LACERS assumptions, plan details and investment of plan assets. The LACERS Valuation Report contains information that is more recent than the information contained in APPENDIX G. The Department is relying upon, and has not independently confirmed or verified, the accuracy or completeness of this section, Appendix G or the LACERS Reports, or other information incorporated by reference therein. See "CERTAIN INVESTMENT CONSIDERATIONS – Retirement Plan Funding."

See also, APPENDIX B – "ANNUAL FINANCIAL REPORT OF LOS ANGELES WORLD AIRPORTS (DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES, CALIFORNIA) LOS ANGELES INTERNATIONAL AIRPORT FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014" regarding, among other things, certain unaudited information relating to LACERS Schedules of Funding Progress and Prorated Data for the Department prepared on a non-GAAP, unaudited basis.

LOS ANGELES INTERNATIONAL AIRPORT

Introduction

LAX 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 the 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. During World War II it was used for military flights. 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 offers commercial air service to every major city in the United States and to virtually every major international destination, and is classified by the FAA as a large hub airport.

LAX is the major facility in the Airport System and accounted for approximately 95.0% of the total passenger traffic, approximately 81.0% of the air cargo volume and approximately 90.0% of the air carrier operations for the Airport System for Fiscal Year 2015.

No airline dominates in shares of enplaned passengers or provides formal "hubbing" activity at LAX. Approximately 25% of LAX's domestic passenger traffic (and approximately 23% of LAX's total passenger traffic) was connecting for the Fiscal Year 2015, and no air carrier accounted for more than approximately 20% of LAX's total enplanements for the Fiscal Year 2014 or for the Fiscal Year 2015. For Fiscal Year 2015, approximately 77% of passengers at LAX represented originating and destination passengers (that is, all passengers beginning or ending their trips at LAX). The remaining approximately 23% of passengers represented connections to or from regional markets as well as domestic connections to or from international markets. The level of connecting passengers at LAX is due primarily to: (i) LAX's role as a major gateway to numerous international markets; (ii) the geographical location of LAX in relation to numerous markets along the west coast of the United States; (iii) the significant number of nonstop flights to and from domestic markets and (iv) the alliances among airlines serving LAX. See APPENDIX A – "REPORT OF THE AIRPORT CONSULTANT – AIRLINE TRAFFIC AND ECONOMIC ANALYSIS."

Facilities

The central terminal complex features a decentralized design concept with nine individual terminals constructed on two levels lining a U-shaped two-level roadway (the "Central Terminal Area"). The total terminal area is approximately 5.8 million square feet. Although many of the terminals are physically connected, they function largely as independent terminals with separate ticketing, baggage, security checkpoints and passenger processing systems.

Passenger terminal facilities include ticketing and baggage check-in on the upper departure level and baggage claim on the ground level, fronting on the lower-level roadway. Passenger terminal facilities provide access to and from aircraft arrival/departure areas. LAX currently has a total of 121 contact gates in the Central Terminal Area along with a number of remote gate positions. Several of the jet gates accommodate propeller driven aircraft.

The existing airfield consists of four parallel east-west runways configured in two pairs. The north airfield complex includes Runway 6L-24R (8,926 feet) and Runway 6R-24L (10,285 feet). The south airfield complex includes Runway 7R-25L (11,095 feet) and Runway 7L-25R (12,091 feet). All runways are 150 feet wide, except for Runway 7R-25L, which is 200 feet wide. For approaches during Instrument Flight Rules conditions, instrument landing systems are installed on all eight runway ends.

Approximately 19,000 public parking spaces are available at LAX in parking lots owned by the Department, including approximately (i) 8,577 parking spaces in eight parking garages in the Central Terminal Area, (ii) 5,300 public parking spaces in parking Lot C, (iii) 2,700 public parking spaces in the Park One surface parking lot located adjacent to Terminal 1, (iv) 2,300 parking spaces in the surface and structured parking lots located adjacent to an office building that the Department acquired in 2013 which is commonly known as Skyview Center and (v) 21 public parking spaces in a cell phone waiting lot. See "USE OF AIRPORT FACILITIES – Concession and Parking Agreements."

Cargo facilities at LAX provide approximately 2.2 million square feet of building space in 26 buildings on 166 acres of land devoted exclusively to cargo. Rental car company facilities, major commercial airline maintenance hangars and office buildings, a 12-story administration building, a control tower, a central utility plant, two flight kitchens, a fuel farm, and FAA, TSA and U.S. Coast Guard facilities are also located at LAX.

The Department maintains facilities occupying approximately 3,425 acres at LAX, consisting of maintenance yard, warehouse, inspection office, administration offices, police and fire stations, utility services, a telecommunication center and executive offices in the former control tower.

Air Carriers Serving LAX

The following table sets forth the air carriers serving LAX as of August 1, 2015. See “AIRLINE INDUSTRY INFORMATION.”

TABLE 6
DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES
LOS ANGELES INTERNATIONAL AIRPORT
AIR CARRIERS SERVING LAX
AS OF AUGUST 1, 2015

Scheduled U.S. Carriers (21)	Foreign Flag Carriers (45)	Nonscheduled Carriers (6)	All-Cargo Carriers (32)
Alaska Airlines	Aeroflot	Clay Lacy Aviation	ABX Air Inc.
Allegiant Air	AeroMexico	Miami Air	Aerologic GmbH
American Airlines	Avianca/TACA	North American Airlines	Aerotransporte De Carga Union
Compass	Air Berlin	Omni Air International	Aerotransportes Mas De Carga
Delta Air Lines	Air Canada	Skybird Aviation	Air Bridge Cargo Airlines
Dynamic Airways	Air China	TEM Enterprise (Extra Airways)	Air China Cargo
Express Jet	Air France		Air Transport International
Frontier Airlines	Air New Zealand		Ameriflight
Great Lakes Aviation	Air Pacific (Fiji Airways)		Ameristar Air Cargo
Hawaiian Airlines	Air Tahiti Nui		Asiana Cargo
JetBlue Airways	Alitalia		Atlas Air Cargo
Mesa Airlines	All Nippon		Cargolux
MN Airlines (Sun Country)	Asiana		Cathay Pacific Cargo
Republic	British Airways		China Airlines Cargo
SkyWest Airlines	Cathay Pacific		China Cargo Airlines
Southwest Airlines	China Airlines		China Southern Cargo
Spirit Airlines	China Eastern		Emirates
Ultimate Jetcharters	China Southern		Envoy
United Airlines	Copa		Eva Airways Cargo
US Airways	El Al Israel		FedEx
Virgin America	Emirates		Gulf & Caribbean Cargo
	Etihad Airways		IFL Group
	Ethiopian Airlines		Kalitta Air
	Eva Airways		Korean Cargo
	Iberia		Lufthansa German
	Japan Airlines		National Air Cargo Group
	KLM Royal Dutch		Nippon Cargo
	Korean Airlines		Polar Air Cargo
	LATAM		Qatar Airways Cargo
	Lan Peru		Singapore Airlines Cargo
	LACSA		Southern Air
	Lufthansa German		United Parcel Service
	Norwegian Air Shuttle		
	OJSC Transaero Airlines		
	Philippine Airlines		
	Qantas		
	Saudi Arabian Airlines		
	Singapore Airlines		
	SWISS		
	Thai Airways		
	Turkish Airlines		
	Virgin Atlantic Airways		
	Virgin Australia		
	Volaris		
	Westjet		

Source: Department of Airports of the City of Los Angeles.

Aviation Activity

According to ACI statistics, in calendar year 2014, ACI statistics ranked LAX as the 5th busiest airport in the world and the 2nd busiest airport in North America in terms of total number of enplaned passengers, and 14th busiest airport in the world and 5th busiest airport in North America in terms of total cargo. According to the United States Department of Transportation Origins and Destinations Survey of Airline Passenger Traffic, August 2015, for Fiscal Year 2014, LAX ranked first nationally in number of domestic origin and destination passengers. The following table shows the air passenger activity, total movements and cargo volume at LAX relative to the world's busiest airports.

TABLE 7
DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES
LOS ANGELES INTERNATIONAL AIRPORT
TOP 15 WORLDWIDE RANKINGS – CALENDAR YEAR 2014

Rank	Airport	Total Passengers	Airport	Total Movements	Airport	Total Cargo (metric tons)[1]
1	Atlanta (ATL)	96,178,899	Chicago (ORD)	881,933	Hong Kong (HKG)	4,415,983
2	Beijing (PEK)	86,178,270	Atlanta (ATL)	868,359	Memphis (MEM)	4,258,531
3	London (LHR)	73,408,489	**Los Angeles (LAX)**	708,674	Shanghai (PVG)	3,181,654
4	Tokyo (HND)	72,826,565	Dallas/Ft. Worth (DFW)	679,820	Incheon (ICN)	2,557,681
5	**Los Angeles (LAX)**	**70,6632651**	Beijing (PEK)	581,953	Anchorage (ANC)	2,492,754
6	Dubai (DXB)	70,475,636	Denver (DEN)	565,525	Dubai (DXB)	2,367,574
7	Chicago (ORD)	69,999,010	Charlotte (CLT)	545,178	Louisville (SDF)	2,293,231
8	Paris (CDG)	63,813,756	Las Vegas (LAS)	522,399	Tokyo (NRT)	2,133,542
9	Dallas/Ft. Worth (DFW)	63,554,402	Houston (IAH)	499,802	Frankfurt (FRA)	2,131,976
10	Hong Kong (HKG)	63,121,786	London (LHR)	472,817	Taipei (TPE)	2,088,727
11	Frankfurt (FRA)	59,566,132	Paris (CDG)	471,382	Paris (CDG)	2,086,487
12	Jakarta (CGK)	57,221,169	Frankfurt (FRA)	469,026	Miami (MIA)	1,998,779
13	Istanbul (IST)	56,767,108	Amsterdam (AMS)	452,687	Singapore (SIN)	1,880,100
14	Amsterdam (AMS)	54,978,023	Istanbul (IST)	439,549	Beijing (PEK)	1,848,251
15	Guangzhou (CAN)	54,780,346	Toronto (YY2)	434,846	**Los Angeles (LAX)**	**1,816,269**

(1) ACI cargo statistics do not match those presented elsewhere in this Official Statement because ACI uses a different methodology for calculating.
Source: ACI Preliminary World Airport Traffic and Results for 2014, March 2015.

As seen in Table 8 which follows, from Fiscal Year 2006 through Fiscal Year 2008, total enplaned and deplaned passengers at LAX increased at a compound annual growth rate of approximately 0.45%. Several factors contributed to slow passenger enplanement growth at LAX including decreased demand levels along the West Coast of the United States and systemwide changes in the airlines' routes and structures and seat capacities. Due to the global economic environment and capacity reductions by U.S. and foreign flag carriers, total enplanements and deplanements decreased approximately 9.2% in Fiscal Year 2009 from Fiscal Year 2008. From Fiscal Year 2009 through Fiscal Year 2015, total enplaned and deplaned passengers at LAX increased at a compounded annual growth rate of approximately 3.9%. For further discussion of historical passenger activity and factors affecting aviation demand and the airline industry, see APPENDIX A – "REPORT OF THE AIRPORT CONSULTANT – AIRLINE TRAFFIC AND ECONOMIC ANALYSIS – Historical Airline Service and Traffic." The fiscal year used for national comparisons is different from the Department's fiscal year. See also "CERTAIN INVESTMENT CONSIDERATIONS – Financial Condition of the Airlines."

The following table presents historical total revenue operations (landings and takeoffs) and total domestic and international enplanements and deplanements at LAX for Fiscal Years 2006 through 2015.

TABLE 8
DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES
LOS ANGELES INTERNATIONAL AIRPORT
AIR TRAFFIC DATA

	Revenue Operations		Enplanements and Deplanements			
Fiscal Year	Total Operations	Operations Growth (%)	Domestic[1]	International[1]	Total[1]	Passenger Growth (%)
2006	610,386	(1.4)	44,058,954	17,376,983	61,435,937	0.3
2007	618,383	1.3	44,721,685	16,856,505	61,578,190	0.2
2008	631,986	2.2	44,834,824	17,427,929	62,262,753	1.1
2009	541,223	(14.4)	41,245,318	15,301,832	56,547,150	(9.2)
2010	545,752	(0.8)	42,145,783	15,752,062	57,897,845	2.4
2011	555,319	1.8	44,352,913	16,253,725	60,606,638	4.7
2012	578,876	4.2	45,957,814	16,967,262	62,925,076	3.8
2013	570,865	(1.4)	47,641,025	17,328,077	64,969,102	3.2
2014	597,734	4.7	50,158,762	18,623,420	68,782,182	5.9
2015	608,607	1.8	52,478,217	19,599,402	72,077,619	4.8

(1) Enplaned and deplaned passengers.
Source: Department of Airports of the City of Los Angeles.

Enplanements at LAX for the air carriers with the largest share of enplanements at LAX for the previous five Fiscal Years are shown in the table below.

TABLE 9
DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES
LOS ANGELES INTERNATIONAL AIRPORT
HISTORICAL TOTAL ENPLANEMENTS BY AIRLINE[(1)]
(RANKED BY FISCAL YEAR 2015 RESULTS)

		Fiscal Year 2011		Fiscal Year 2012		Fiscal Year 2013		Fiscal Year 2014		Fiscal Year 2015	
	Airline	Enplanements	Share[(2)]	Enplanements	Share[(2)]	Enplanements	Share[(2)]	Enplanements	Share[(2)]	Enplanements	Share[(2)]
1	United Airlines[(3)]	6,478,039	21.4%	6,380,963	20.2%	6,544,226	20.1%	6,568,648	19.1%	6,225,103	17.2%
2	Delta Air Lines[(4)]	3,441,646	11.4	3,231,000	10.3	4,171,972	12.8	5,038,929	14.7	6,020,280	16.7
3	American Airlines[(5)]	4,304,325	14.2	4,598,923	14.6	5,058,105	15.6	5,329,141	15.5	5,556,523	15.4
4	Southwest Airlines	3,512,432	11.6	3,516,770	11.2	3,703,743	11.4	3,796,292	11.1	4,212,706	11.7
5	Alaska Airlines	1,656,428	5.5	1,670,524	5.3	1,623,552	5.0	1,741,179	5.1	1,652,816	4.6
6	Virgin America	1,085,506	3.6	1,387,310	4.4	1,569,289	4.8	1,657,297	4.8	1,534,368	4.2
7	US Airways	981,885	3.2	964,577	3.1	970,442	3.0	1,035,543	3.0	1,201,325	3.3
8	Qantas Airways	571,004	1.9	603,170	1.9	575,310	1.8	602,278	1.8	614,333	1.7
9	Air Canada	438,868	1.4	468,793	1.5	459,937	1.4	495,695	1.4	597,050	1.7
10	JetBlue Airways	264,531	0.9	358,326	1.1	424,534	1.3	446,183	1.3	570,938	1.6
11	Spirit Airlines	139,504	0.5	265,973	0.8	225,908	0.7	369,236	1.1	510,478	1.4
12	Hawaiian Airlines	240,006	0.8	235,502	0.7	323,104	1.0	339,177	1.0	422,871	1.2
13	Aeromexico	269,479	0.9	282,415	0.9	282,156	0.9	337,368	1.0	402,416	1.1
14	Cathay Pacific Airways	254,191	0.8	262,793	0.8	253,131	0.8	284,225	0.8	337,043	0.9
15	Air New Zealand	340,567	1.1	304,228	1.0	324,771	1.0	331,628	1.0	336,537	0.9
16	British Airways	274,372	0.9	274,882	0.9	275,095	0.8	281,767	0.8	296,368	0.8
17	Korean Airlines	332,593	1.1	335,310	1.1	317,141	1.0	284,466	0.8	293,193	0.8
18	Air France	254,579	0.8	255,054	0.8	266,282	0.8	293,305	0.9	288,789	0.8
19	Lufthansa German Airlines	237,723	0.8	240,780	0.8	245,700	0.8	262,448	0.8	277,103	0.8
20	Eva Airways	203,575	0.7	215,751	0.7	214,341	0.7	237,182	0.7	270,524	0.7
	Other	4,999,318	16.5	5,663,873	18.0	4,695,439	14.4	4,600,538	13.4	4,501,004	12.5
	Airport Total[(2)]	30,280,571	100.0	31,516,917	100.0	32,524,178	100.0	34,332,525	100.0	36,121,768	100.0

(1) For those airlines that (i) were party to a completed merger or acquisition, (ii) have received a single FAA certificate and (iii) have completed operational integration, only the surviving entity is presented and the activity for the airlines that are now a part of the surviving airline are included in the information presented.
(2) Totals may not add due to rounding.
(3) Includes SkyWest Airlines and Continental Airlines as United.
(4) Includes SkyWest Airlines as Delta.
(5) Includes SkyWest Airlines as American Eagle.
Source: Department of Airports of the City of Los Angeles.

The following table presents the total revenue landed weight for the air carriers with the largest share of revenue landed weight at LAX for the previous five Fiscal Years.

TABLE 10
DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES
LOS ANGELES INTERNATIONAL AIRPORT
TOTAL REVENUE LANDED WEIGHT[(1)]
(RANKED ON FISCAL YEAR 2015 RESULTS)
(000 LBS.)

		Fiscal Year									
	Airline	2011	Share[(2)]	2012	Share[(2)]	2013	Share[(2)]	2014	Share	2015	Share
1	Delta Air Lines[(3)]	4,487,225	9.3%	4,641,153	9.3%	5,650,964	11.2%	6,670,030	12.7%	7,479,719	13.6%
2	United Airlines[(4)]	8,719,842	18.0	8,475,974	16.9	7,913,761	15.8	7,947,765	15.1	7,447,619	13.5
3	American Airlines[(5)]	5,570,846	11.5	5,886,364	11.8	6,529,038	13.0	7,042,799	13.4	7,184,885	13.1
4	Southwest Airlines	4,737,254	9.8	4,601,662	9.2	4,641,112	9.2	4,637,202	8.8	4,977,130	9.1
5	Virgin America	1,331,658	2.7	1,637,152	3.3	1,905,138	3.8	2,070,384	3.9	1,860,734	3.4
6	Federal Express	1,605,640	3.3	1,628,897	3.3	1,662,347	3.3	1,740,088	3.3	1,795,385	3.3
7	Alaska Airlines	1,727,316	3.6	1,667,686	3.3	1,611,321	3.2	1,718,274	3.3	1,658,662	3.0
8	Qantas Airways	1,243,114	2.6	1,331,893	2.7	1,297,898	2.6	1,344,193	2.6	1,373,361	2.5
9	Korean Airlines	1,219,303	2.5	1,200,835	2.4	1,190,283	2.4	1,179,599	2.2	1,252,622	2.3
10	US Airways	1,023,668	2.1	1,003,778	2.0	987,982	2.0	1,066,394	2.0	1,173,526	2.1
11	Cathay Pacific Airways	764,462	1.6	778,532	1.6	783,011	1.6	893,119	1.7	1,113,726	2.0
12	China Airlines	769,780	1.6	726,682	1.5	665,450	1.3	740,766	1.4	752,462	1.4
13	Eva Airways	643,079	1.3	607,128	1.2	606,522	1.2	639,446	1.2	741,350	1.3
14	Air Canada	561,953	1.2	583,479	1.2	559,315	1.1	599,464	1.1	734,164	1.3
15	Hawaiian Airlines	337,020	0.7	335,229	0.7	440,387	0.9	478,332	0.9	662,590	1.2
16	Air New Zealand	643,814	1.3	589,878	1.2	613,650	1.2	636,972	1.2	660,416	1.2
17	Asiana Airlines	656,330	1.4	524,490	1.0	554,574	1.1	641,538	1.2	655,670	1.2
18	JetBlue Airways	280,734	0.6	378,430	0.8	454,116	0.9	471,412	0.9	643,914	1.2
19	British Airways	621,180	1.3	588,948	1.2	576,432	1.1	594,592	1.1	609,554	1.1
20	Lufthansa German Airlines	505,985	1.0	522,132	1.0	516,082	1.0	540,673	1.0	585,469	1.1
	Other	12,679,582	26.2	14,193,194	28.4	12,221,595	24.3	10,960,224	20.8	11,627,281	21.1
	Airport Total[(2)]	48,433,126	100.0	50,009,049	100.0	50,238,306	100.0	52,613,266	100.0	54,990,239	100.0

(1) For those airlines that (i) were party to a completed merger or acquisition, (ii) have received a single FAA certificate and (iii) have completed operational integration, only the surviving entity is presented and the activity for the airlines that are now a part of the surviving airline are included in the information presented.
(2) Totals may not add due to rounding.
(3) Includes SkyWest Airlines as Delta.
(4) Includes SkyWest Airlines and Continental Airlines as United.
(5) Includes SkyWest Airlines as American Eagle.
Source: Department of Airports of the City of Los Angeles.

In Fiscal Year 2015, according to traffic reports submitted to the Department by the airlines, LAX total air cargo volume was approximately 2.1 million tons. The following chart provides information concerning cargo traffic at LAX over the last ten Fiscal Years.

TABLE 11
DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES
LOS ANGELES INTERNATIONAL AIRPORT
ENPLANED AND DEPLANED CARGO[1]
(TONS)

Fiscal Year	Domestic Cargo	Annual Growth	International Cargo	Annual Growth	Total Cargo	Annual Growth
2006	994,637	(5.4)	1,122,527	3.4	2,117,164	(0.9)
2007	975,734	(1.9)	1,105,899	(1.5)	2,081,633	(1.7)
2008	877,455	(10.1)	1,095,273	(1.0)	1,972,728	(5.2)
2009	728,705	(17.0)	886,594	(19.1)	1,615,299	(18.1)
2010	792,005	8.7	1,067,249	20.4	1,859,253	15.1
2011	791,414	(0.1)	1,101,270	3.2	1,892,685	1.8
2012	807,532	2.0	1,107,499	0.6	1,915,032	1.2
2013	814,920	0.9	1,134,220	2.4	1,949,140	1.8
2014	805,423	(1.2)	1,127,263	(0.6)	1,932,685	(0.8)
2015	838,095	4.1	1,271,049	12.8	2,109,144	9.1

(1) Derived from unaudited financial statements.
Source: Department of Airports of the City of Los Angeles.

Cargo volumes at LAX declined from Fiscal Year 2006 to Fiscal Year 2015 but have remained stable, averaging approximately 1.9 million tons each Fiscal Year. See "CERTAIN INVESTMENT CONSIDERATIONS" for discussion of some factors that may impact future aviation activity at LAX. See "USE OF AIRPORT FACILITIES" and APPENDIX A – "REPORT OF THE AIRPORT CONSULTANT – AIRLINE TRAFFIC AND ECONOMIC ANALYSIS – Key Factors Affecting Future Airline Traffic" for a discussion of the impact of aviation activity on revenues generated at LAX.

Competition

The region served by LAX (the "Airport Service Region") includes primary and secondary areas. The primary geographical area served by LAX consists of the Los Angeles-Long Beach-Riverside Combined Statistical Area ("Los Angeles CSA") as designated by the United States Bureau of the Census and includes the five-county area of Los Angeles, Orange, Riverside, San Bernardino and Ventura counties. There are six air carrier airports within the primary area. According to statistics, LAX is the primary airport in the primary area, with approximately 76% of the total enplaned passengers in Fiscal Year 2014. Three other airports, LA/ONT (which is a part of the Airport System), Bob Hope Airport (BUR) in Burbank and John Wayne Airport (SNA) in Orange County, provide air service to major domestic markets and together accounted for approximately 19% of total enplaned passengers in LAX's primary area in Fiscal Year 2014. Two other airports, Long Beach Airport (LGB) and Palm Springs Airport (PSP), provide limited air service to destinations outside of LAX's primary area and accounted for approximately 5% of enplaned passengers in LAX's primary area in Fiscal Year 2014. In Fiscal Year 2014, LAX accounted for approximately 96% of LAX's primary area's international enplaned passengers. The secondary area served by LAX, which includes many of the counties surrounding the Los Angeles CSA, is defined by the location of (and the airline service offered at) other "nearby" air carrier airports. The secondary area comprises seven airports with scheduled air carrier service including Bakersfield's Meadows Field (BFL), Imperial County Airport (IPL), Carlsbad's McClellan-Palomar Airport (CRQ), San Diego International Airport (SAN), San Luis Obispo Regional Airport (SBP), Santa Barbara Municipal Airport (SBA), and Santa Maria Municipal Airport (SMX). In addition, Oxnard Airport (OXR) is a general aviation airport located 63 miles to the northwest of LAX.

Emergency Management

The Department has four core groups that are responsible for emergency management: Fire, Law Enforcement, Airport Operations and Emergency Management Division. These core groups are responsible for the emergency planning for all phases of emergency management: mitigation, preparedness, response and recovery. The roles and responsibilities of each entity within these four groups are defined by Emergency Support Functions in the federal National Incident Management System ("NIMS"), the National Response Framework, the California Standardized Emergency Management System ("SEMS"), FAA Regulation Part 139 ("FAR 139"), the Charter, the Airport Rules and Regulations and other statutes. The "Airport Rules and Regulations" are established pursuant to the Charter in order to, among other things, comply with FAA and TSA regulations which require the Department to establish operational and safety procedures and institute certain secondary measures for airport certification. Emergency management responsibilities for the core groups include: (1) hazard vulnerability analysis, (2) development and maintenance of emergency operations plans, (3) integration with the City's Emergency Operations Organization and the emergency processes of other City departments and agencies, (4) developing, conducting and coordinating training and exercises, (5) planning for continuity of operations/continuity of government for the Airport System, (6) oversight of implementation for new emergency guidelines, mandates, technology, emergency response and preparedness systems at local, state, federal and international levels concerning airport emergency operations and (7) responding to and activating the Department Operations Center, and sending Department representation to the City Emergency Operations Center for emergency activations.

The Department is required by certain federal, state, City and other directives to develop and maintain a number of airport emergency response plans to ensure protection of lives and property and mitigation measures to lessen the impact on the disruption of business. The Department is also subject to Homeland Security Presidential Directive 5, which requires compliance with the NIMS and the National Response Framework. The State requires compliance with SEMS. Under FAR 139 the Department is required to create, maintain and exercise specific emergency plan components that must be specific to LAX and LA/ONT Airports and contained in FAA approved Airport Certification Manuals. These plans set forth emergency procedures to ensure prompt response to emergencies to save lives, minimize the possibility and extent of personal and property damage and ensure recovery of the critical transportation infrastructure. The Department has included these emergency procedures in the Airport Rules and Regulations for LAX and LA/ONT. The Department holds emergency plan exercises as required by the FAA, TSA regulations, security directives, FAR 139 mandates and City exercise programs. A yearly security exercise is held under the direction of Airport Police and through the collaborative efforts and participation of airport stakeholders. The Department conducts and participates in a number of additional scheduled exercises with federal, airline and City agencies to exercise and test mitigation, preparedness, response and recovery.

See also "CERTAIN INVESTMENT CONSIDERATIONS –Security Concerns" and "—Seismic Risks."

CERTAIN FUNDING SOURCES

Passenger Facility Charges

Generally, the PFC Acts permit public agencies controlling certain commercial service airports to charge each enplaning passenger a facility charge ranging from $1.00 to $4.50. The Department has received approval from the FAA to collect a passenger facility charge up to $4.50 on each enplaning passenger at LAX.

The proceeds from passenger facility charges must be used to finance eligible airport-related projects. Public agencies wishing to impose and use passenger facility charges to finance eligible airport-related projects must apply to the FAA for the authority to do so. Eligible airport-related projects approved by the FAA are referred to herein as "Approved PFC Projects."

PFC revenues to fund certain Approved PFC Projects are collected by air carriers as part of the price of a ticket and then remitted to the Department. The air carriers are permitted by the PFC Acts to retain a portion of each passenger facility charge collected (currently $0.11 of each passenger facility charge collected) as compensation for collecting and handling PFC revenues. PFC revenues received by the Department are net of this collection fee. In the event of an airline bankruptcy, it is unclear whether the Department would be afforded the status of a secured creditor with regard to PFC revenues collected or accrued with respect to that airline. See "CERTAIN INVESTMENT CONSIDERATIONS – Effect of Airline Bankruptcies."

Since 1993, the Department has received approval from the FAA to impose and use $3,095,759,661 of PFC revenues (including investment income). Such PFC revenues are expected to be collected in full by October 1, 2023. No assurance can be given that PFC revenues will actually be received in the amounts or at the times contemplated by the Department. The amount and timing of receipt of actual PFC revenues are expected to vary depending on actual levels of qualified passenger enplanements at LAX. If PFC revenues are not available, the Department may be required to eliminate or scale down projects or incur additional indebtedness, possibly including issuing Additional Senior Bonds, additional Subordinate Bonds or Subordinate Commercial Paper Notes, to finance such projects. See "CERTAIN INVESTMENT CONSIDERATIONS – Considerations Regarding Passenger

Facility Charges" and "—Delays and Cost Increases; Future Capital Projects; Additional Indebtedness." The following table sets forth a summary of the Department's approved passenger facility charge applications relating to LAX.

TABLE 12
DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES
LOS ANGELES INTERNATIONAL AIRPORT
APPROVED PASSENGER FACILITY CHARGE APPLICATIONS

Passenger Facility Charge Application	Initial Approval Date	Initial Approved Amount	Approval Amount as Amended
1	1993	$ 100,000,000	$ 0
2	1996	167,109,000	116,370,846
3	1996	52,027,000	50,222,938
4	1997	150,000,000	700,000,000
5	2005	267,249,968	697,779,968
6	2007	85,000,000	85,000,000
7	2010	855,000,000	855,000,000
8	2011	34,089,058	27,800,572
9	2014	44,378,659	44,378,659
10	2015	516,091,523	516,091,523
11	2015	3,115,155	3,115,155
Total		$ 2,274,060,363	$ 3,095,759,661
Total collected as of June 30, 2015:		$ 2,162,561,749[1]	

(1) Includes approximately $197,226,209 of interest.
Source: Department of Airports of the City of Los Angeles

The Department expects to submit additional applications to impose and use passenger facility charges for eligible expenditures, including, but not limited to, those expenditures funded with proceeds of the Series 2015DE Senior Bonds and other PFC Eligible Obligations (as defined below). If such applications to impose and use passenger facility charges for eligible expenditures are approved, such approval may extend the date by which such PFC revenues are expected to be collected.

PFC revenues may also be used for the payment of debt service on certain portions of bonds issued to finance all or a portion of Approved PFC Projects ("PFC Eligible Obligations"). The Department expects to pay a portion of the debt service on the PFC Eligible Obligations with PFC revenues. However, the Department is prohibited from using PFC revenues to pay debt service on PFC Eligible Obligations in excess of the amounts of passenger facility charges approved by the FAA for the Approved PFC Projects. If the actual cost of Approved PFC Projects is less than the amount approved by the FAA, the Department may be required to submit an amendment to the FAA application to reduce the approved amount for applicable projects. The Series 2008A Senior Bonds, the Series 2009A Senior Bonds, the Series 2010A Senior Bonds, the Series 2010D Senior Bonds and the Series 2015 Senior Bonds fund Approved PFC Projects and are PFC Eligible Obligations.

The actual amount of PFC revenues received in each Fiscal Year may vary depending on the number of qualifying passenger enplanements at LAX. See "CERTAIN INVESTMENT CONSIDERATIONS" for discussion of a number of factors that may impact the number of passenger enplanements and the Department's receipt of PFC revenues.

Pledged Revenues do not include PFC revenues unless otherwise included in Pledged Revenues pursuant to a Supplemental Senior Indenture. To date, the Department has not elected, and the Department has no current plans to elect, to include PFC revenues in Pledged Revenues nor otherwise pledge PFC revenues to the payment of the Senior Bonds or the Subordinate Obligations. However, the Department expects to use PFC revenues to pay a portion of the debt service on PFC Eligible Obligations. Debt service paid with PFC revenues is not included in the calculation of the rate covenant set forth in the Senior Indenture. Debt service on Additional Senior Bonds expected to be paid from irrevocably committed PFC revenues is not included in the additional bonds test set forth in the Senior Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015DE SENIOR BONDS – Senior Rate Covenant" and "—Passenger Facility Charges."

See “CAPITAL PLANNING” and APPENDIX A – “REPORT OF THE AIRPORT CONSULTANT – AIRPORT CAPITAL PROGRAM AND FUNDING – Summary of Capital Program Funding” for additional information about the Department’s expected use of PFC revenues.

Grants

Under the AIP the FAA awards grant moneys to airports around the country for capital improvement projects and airport operating costs. AIP grants include entitlement funds, which are apportioned annually based upon the number of enplaned passengers and cargo traffic, as well as discretionary funds, which are awarded by the FAA based on a national priority system. Generally, federal grants are paid to the Department on a reimbursement basis when the grant agreement is approved and after eligible expenditures are made. The amount and timing of receipt of actual AIP grant moneys may vary and may not be reimbursed for a significant period of time after the eligible expenditure is made. If AIP grant moneys are not available or timely reimbursed, the Department may be required to eliminate or scale down projects or incur additional indebtedness, possibly including issuing Additional Senior Bonds, additional Subordinate Bonds or Subordinate Commercial Paper Notes, to finance such projects. See “CERTAIN INVESTMENT CONSIDERATIONS – Federal Funding; Impact of Federal Sequestration” and “—Delays and Cost Increases; Future Capital Projects; Additional Indebtedness.”

The following is a table of AIP grants authorized for acceptance by the Board from June 30, 2005 through June 30, 2015:

TABLE 13
DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES
LOS ANGELES INTERNATIONAL AIRPORT
FEDERAL AIRPORT IMPROVEMENT PROGRAM GRANTS
AUTHORIZED FOR ACCEPTANCE BY THE BOARD
FROM JUNE 30, 2005 THROUGH JUNE 30, 2015

Date	Grant Amount[(1)]	Project Funded
August 2005	$ 38.8	Runway 7R/25L project
March 2006	29.5	Runway 7R/25L project
April 2007	29.6	Taxiway improvement projects
June 2008	7.1	Taxiway improvement projects
June 2008	2.0	Taxilane C-10 reconstruction project
February 2009	3.2	Taxiway improvement projects
June 2009	13.5	Crossfield Taxiway improvement project
March 2010	48.5	Taxilane S improvement project
March 2011	17.8	Taxilane T and enabling projects
November 2011	19.9	Taxilane T and enabling projects
September 2013	31.7	Runway 7R/25L Safety Area
August 2014	13.1	TBIT Aprons
September 2014	14.8	Runway 6L-24R Safety Area
Total	$ 269.5	

(1) Dollars in millions.
Source: Department of Airports of the City of Los Angeles

Pursuant to the Aviation and Transportation Security Act, the Department has been awarded approximately $256 million of reimbursements from the Department of Homeland Security for the installation of in-line baggage screening systems at LAX and LA/ONT; as of September 2014, the Department had received approximately $235 million for LAX and approximately $21.4 million for LA/ONT from this in-line baggage screening systems grant. In June 2011, the Board approved the award of approximately $13.4 million from the TSA for the Department’s Closed Circuit Television Security System at LAX. During Fiscal Year 2015, the Department received approximately $2.9 million for security-related reimbursements at LAX.

The Department is subject to periodic compliance reviews by the FAA and the Office of the Inspector General, some of which have included a review of payments made by the Department to the City, to verify the Department’s compliance with applicable federal laws, FAA grant assurances and FAA policies concerning the use of airport revenue and airport revenue diversion. In addition, interested parties such as Airlines for America (formerly known as the Air Transport Association of America) and Aircraft Owners and Pilots Association may initiate U.S. DOT proceedings relating to these types of issues.

See “CAPITAL PLANNING” and APPENDIX A – “REPORT OF THE AIRPORT CONSULTANT – AIRPORT CAPITAL PROGRAM AND FUNDING – Summary of Capital Program Funding” for additional information about the Department’s expectations concerning grants.

USE OF AIRPORT FACILITIES

General

The Department permits airlines and other parties to use Airport facilities, and receives payment for the use of Airport facilities, pursuant to a variety of arrangements, all of which are intended to fulfill the Department’s goal of recovering all costs allocable to areas used from the users of such facilities (including, but not limited to, costs for capital, debt service, maintenance and operations, certain airline equipment and infrastructure). Generally these arrangements consist of:

- Air Carrier Operating Permits;
- The Airport Terminal Tariff and the Rate Agreement;
- Terminal leases;
- Facilities Use Terms and Conditions;
- Concession and parking agreements;
- Non-exclusive licensing agreements; and
- Various other building and miscellaneous leases including for cargo and hangar facilities.

Operating Permits – Landing and Apron Facilities and Landing Fees

The Department has entered into separate operating permits covering the use of landing and apron facilities with air carriers serving LAX. These operating permits grant operating rights to each airline typically for the same ten-year term, and are commonly referred to as the “Air Carrier Operating Permits” or the “ACOPs.” The Department is currently authorized to issue ACOPs that expire June 30, 2022, with an option to extend each ACOP for another 10-year term, for a total of 20 years. The ACOPs are terminable by either party on 30 days’ notice. The ACOPs require each airline to pay a landing and apron fee to the Department for each aircraft that uses the landing and apron facilities at LAX, generally equal to the product of (i) the units of maximum gross landed weight of the aircraft, with each unit being 1,000 pounds, multiplied by (ii) the applicable landing or apron fee rate currently in effect. Air carriers that are not a party to an ACOP must still comply with the Airport Rules and Regulations, which require the uninterrupted payment of landing and apron fees and such landing and apron fees are substantially higher than for air carriers that are party to an ACOP. The landing and apron fee rates to be charged during each Fiscal Year are based upon the Department’s then-current budget and are adjusted at the end of each Fiscal Year to reflect the actual expenses incurred. All adjustments for deficiencies are billed when determined and overages are credited to the affected airlines. The Department expects that the ACOPs will be renewed upon their expiration, though no assurances can be given that they will be, or that the terms of the new ACOPs will be the same as the existing terms. See APPENDIX A – “REPORT OF THE AIRPORT CONSULTANT – FRAMEWORK FOR FINANCIAL OPERATION – Agreements with Airlines for the Use of Airport Facilities – Operating Permits for the Use of Airfield Facilities” and “—FINANCIAL ANALYSIS – Pledged Revenues – Airline Revenues – Landing Fee and Apron Fee Revenues.”

Airport Terminal Tariff

Airlines and businesses involved in aeronautical activities other than governmental activities or concessions (each, an “Aeronautical User”) use terminal space at LAX under the terms of the LAX Passenger Terminal Tariff (the “Airport Terminal Tariff”). The Airport Terminal Tariff has no term or expiration date but is subject to change from time to time by the Board. After consultation with airline representatives regarding the Department’s rates and charges, on September 17, 2012, the Board approved certain changes to the Airport Terminal Tariff, as described below, which became effective on January 1, 2013, in all terminals at LAX; provided, however, the Airport Terminal Tariff expressly does not apply to Terminal 4 unless and until all airlines using Terminal 4 are subject to the rate methodology adopted on September 17, 2012. The Department has entered into a lease for the use of terminal space in Terminal 4 with American Airlines that expires in December 2024. Under this lease, rental rates are not charged pursuant to the Airport Terminal Tariff, rather rental rates on terminal premises and on ground areas are adjusted periodically, typically every five years, by mutual agreement or, if the parties are not able to agree, then by a process directed at establishing a rent based on the then-current fair rental value. American Airlines is required to pay operation and maintenance charges based on the methodology of the Airport Terminal Tariff. American Airlines is a party to a Rate Agreement (described below); however, the Rate Agreement rates do not apply to the space leased by American Airlines in Terminal 4.

Terminal rates under the Airport Terminal Tariff are designed to recover all costs, including administrative and access costs, allocable to terminal space used by Aeronautical Users. Under the Airport Terminal Tariff, Aeronautical Users are required to pay to the Department:

- Terminal Buildings Charge – A charge based on equalized rate calculated by the Department by dividing the total of all capital and maintenance and operation costs allocated by the Department to the passenger facilities at LAX by the total rentable areas in the Terminals.

- FIS Fee – A fee based on equalized rate calculated by the Department by dividing the total of all capital and maintenance and operation costs allocated by the Department to FIS areas at LAX by the number of international passengers passing through the FIS facilities.

- Common Use Area Fees and Charges – Fees and charges based on rates calculated by the Department based on airlines' use of common areas in the Terminal, such as hold rooms, baggage claim systems and ticket counters.

- Terminal Special Charges – Fees based on rates calculated by the Department for use by the Aeronautical Users of certain equipment and services at LAX that are not otherwise billed to Aeronautical Users through the rates and charges described above, such as, in certain terminals custodial services, outbound baggage system maintenance, terminal airline support systems and loading bridge capital and maintenance.

Aeronautical Users subject to the Airport Terminal Tariff are required to provide a performance guaranty which is at least three times the sum of the estimated monthly installments of the Terminal Buildings Charge and other amounts.

See APPENDIX A – "REPORT OF THE AIRPORT CONSULTANT – FRAMEWORK FOR FINANCIAL OPERATION – Terminal Tariff and Rate Agreement" and "FINANCIAL ANALYSIS – Pledged Revenues – Airline Revenues –Terminal Rentals."

Rate Agreement

In connection with the negotiation of the terms of the Airport Terminal Tariff, to resolve certain litigation that was then pending and potential future litigation regarding the Department's rate setting methodology, and to provide phase-in of the new rates and charges for airlines, the Department offered the airlines (including certain consortiums that have been formed to manage specified Terminal facilities at LAX) a Rate Agreement. All airlines serving LAX have executed Rate Agreements.

Pursuant to the Rate Agreements, each applicable airline (a "Signatory Airline") consented to and waived its right to challenge the application of the Airport Terminal Tariff rate methodology approved by the Board in September 2012. Under the Rate Agreement, the rates and charges under the Airport Terminal Tariff are phased in over five years, with the initial Terminal Building Rate set at $75.00 per rentable square foot for calendar year 2013. In calendar years 2014 through 2017 the Terminal Building Rate will be discounted by 20%, 15%, 10% and 5%, respectively. After calendar year 2017, the Terminal Building Rate will be charged pursuant to the Airport Terminal Tariff without discount.

The Rate Agreement provides that during calendar years 2013 through 2015, the FIS rate will be fixed at $8.50, $9.50 and $10.50 per deplaned international passenger, respectively. After calendar year 2015, the FIS rate will be charged pursuant to the Airport Terminal Tariff, as described above, without discount.

Beginning in calendar year 2014, the Department provided Signatory Airlines a credit for a portion of the concession revenues generated in the terminals at LAX. The amount of these credits in Fiscal Year 2015 was approximately $22.7 million. This credit results in a reduced Terminal Building Rate (and a corresponding reduction in rates derived from the Terminal Building Rate) and a reduced FIS rate paid by the Signatory Airlines.

Under the Rate Agreement, the Department is required to establish a Terminal Renewal and Improvement Fund (the "TRIF"). The TRIF is required to be funded from annual net revenues from the application of the Airport

Terminal Tariff. Amounts deposited in the TRIF are required to be used by the Department to fund, together with debt and grant funding, terminal related capital improvements. Deposits into the TRIF may not exceed $125 million annually or a maximum unused fund balance amount of $500 million. These limits are subject to annual consumer price index increases. The Department is permitted to collect and amortize charges associated with capital projects funded from TRIF deposits, however, such collection and amortization is required to be deferred for five years after the projects are placed in service. Prior to June 22, 2015 the amount in the TRIF was approximately $30.2 million. On June 22, 2015, in accordance with the Rate Agreement, the Department transferred approximately $30.2 million (the entire balance of the TRIF) to the LAX Revenue Fund to be used to partially fund the Bradley West Interior Enhancements Project. As of June 30, 2015, there were no amounts in the TRIF.

Under the Rate Agreement, beginning in calendar year 2014, 50% of the funds in the TRIF, that are not otherwise committed to projects, in excess of the TRIF limits described above are required to be deposited in a Revenue Sharing Fund. As of June 30, 2015, funds in the TRIF were not in excess of the TRIF limits described above and no amounts were on deposit in the Revenue Sharing Fund. The remaining excess funds may be used by the Department for any lawful purpose. Amounts deposited in the Revenue Sharing Fund are required to be distributed to the Signatory Airlines as a credit against any amount due in the following priority: first, against Terminal rents and second, against landing fees. See APPENDIX A – "REPORT OF THE AIRPORT CONSULTANT – FRAMEWORK FOR FINANCIAL OPERATION – Terminal Tariff and Rate Agreement."

Facilities Use Terms and Conditions

Facilities Use Terms and Conditions apply to users of certain Department owned space at LAX that are not subject to a lease or the Airport Terminal Tariff, principally certain buildings in the airfield and off-Airport facilities. Facilities Use Terms and Conditions have no term or expiration date but are subject to change from time to time by the Board and include a basic per square foot charge, subject to periodic adjustment to fair market rental value. If the Department determines that any portion of the facilities to which the Facilities Use Terms and Conditions apply are being underutilized, the Department may, upon the satisfaction of certain requirements, accommodate other users in such space. Facilities Use Terms and Conditions require users to provide a performance guaranty which is at least three times the sum of the amount of the initial estimated monthly installments of base charges and other additional amounts.

Department Acquisition of Certain Terminal Improvements; Credits

In connection with certain Terminal leases, certain Aeronautical Users have agreed to undertake renovations to their leased Terminals. These renovations may include (i) proprietary renovations, which generally include branded improvements to the Terminal and other improvements unique to the Aeronautical User's operational needs ("Proprietary Improvements"); (ii) Aeronautical User renovations, which generally include non-proprietary improvements to the Terminal usable by any Aeronautical User operating in the Terminal ("Aeronautical User Improvements"); and (iii) Terminal renovations, which generally include improvements to the Terminal that are allocated to the public areas ("Terminal Improvements"). Terminal renovations may also include provision for certain relocations of Terminal users to enable the Terminal renovations.

Generally, under such Terminal leases, subject to certain conditions, the Department has agreed to purchase from the Aeronautical User the Aeronautical User Improvements and the Department has the option to purchase from the Aeronautical User the Terminal Improvements. If the Department does not exercise the option to purchase the Terminal Improvements, the Department is required to issue to the Aeronautical User a credit in the amount of the cost of the Terminal Improvements. Such credits are issued over the period from the date on which the Department could exercise the option to purchase the Terminal Improvements through the end of the Terminal lease. The Department retains the option to purchase the Terminal Improvements at any time during the term of the Terminal lease.

The Department also may issue credits to the Aeronautical User responsible for the cost of relocating other Terminal users to facilitate the Terminal renovations, for the cost of such relocations. The amounts of these credits vary depending on the scope of the required relocations and have ranged from no credits being issued where no relocations were required to approximately $11 million. As of the date hereof, the Department has no relocation rental credits outstanding.

Credits are applied as an offset against amounts otherwise due to the Department by such Aeronautical Users as charges for use of LAX facilities, including amounts owed pursuant to the Airport Terminal Tariff and landing fees. Because these credits are applied as an offset to amounts owed to the Department by such

Aeronautical Users, the Department receives less money from these Aeronautical Users than such Aeronautical Users would otherwise provide absent the credit. Thus, although the credits are not secured by any pledge of or lien on the Department's revenues, the effect of using such credits is the creation of a higher payment priority for such credits than for the Senior Bonds or the Subordinate Bonds. See "OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE – Other Obligations – Credits."

The acquisition of Aeronautical User Improvements and Terminal Improvements under Terminal leases are part of the Department's Capital Improvement Program (as defined below), and these projects, including their capital and operating costs, financing and estimated revenue impacts, have been included in the financial analysis included in the Report of the Airport Consultant. See "CAPITAL PLANNING – Capital Development" and APPENDIX A – "REPORT OF THE AIRPORT CONSULTANT – AIRPORT CAPITAL PROGRAMING AND FUNDING."

Concession and Parking Agreements

The Department has entered into numerous concessions agreements with terminal commercial managers, duty free concessionaires, food and beverage concessionaries, retail concessionaires and others. See APPENDIX A – "REPORT OF THE AIRPORT CONSULTANT – FRAMEWORK FOR FINANCIAL OPERATION – Commercial Agreements and Leases" and "FINANCIAL ANALYSIS – Pledged Revenues – Concession Revenues."

Terminal Commercial Manager Concessions

The Department has entered into two terminal commercial manager concession agreements with Westfield Concession Management, LLC ("Westfield"), for concession development in TBIT and Terminal 2 ("Westfield Agreement No. 1") and for Terminals 1, 3 and 6 ("Westfield Agreement No. 2." and together with Westfield Agreement No. 1, the "Westfield Concession Agreements"). Pursuant to the Westfield Concession Agreements, Westfield serves as a developer and manager of retail, specialty retail, food and beverage and other passenger services in the applicable terminals and space, including selecting concessionaires, subject to Department approval. Under the Westfield Concession Agreements, Westfield is required to develop concession and related spaces, market and promote the concessionaires, negotiate and administer contracts with each concessionaire, and monitor and manage concessionaire performance. The term of each Westfield Concession Agreement is 17 years, comprised of a development period and an operational period. The Westfield Agreement No. 1 is scheduled to expire in July 2029 for Terminal 2 and in January 2032 for TBIT. The Westfield Agreement No. 2 is scheduled to expire in June 2029.

Under the Westfield Concession Agreements, Westfield and its concessionaires are required to make initial capital investments in initial premises improvements in an aggregate amount of approximately $160.5 million, initial capital investments in initial non-premises improvements in an aggregate amount of approximately $74.5 million and capital investments in mid-term premises improvements in an aggregate amount of approximately $32.1 million. When all of the terminal space has been delivered to Westfield, the Department is to receive from Westfield the greater of an aggregate minimum annual guarantee of approximately $34.7 million (for Calendar Year 2015 the minimum annual guaranty was approximately $18.2 million) or percentage rent comprised of base percentage rent (a percentage of Westfield's revenues less certain allowances for improvements and management fees) and contingent percentage rent (a certain percentage of Westfield's revenues in excess of certain benchmarks). Beginning in January 2014, each minimum annual guaranty is subject to increase based on the consumer price index and a percentage of the prior year's percentage rent and to decrease based on certain reductions in passenger enplanements. Under the Westfield Concession Agreements, Westfield is required to provide performance guaranties in the initial aggregate amounts of $2 million, which amounts are required to increase to two months minimum annual guaranty, but not less than $3 million. The Department may terminate (a) Westfield Agreement No.1 in the thirteenth year of operation and (b) Westfield Agreement No. 2 in the tenth year of operation, in each case if Westfield does not meet certain performance targets, subject to certain buy-out payments for Westfield's investment in improvements.

For Fiscal Year 2015, revenues to the Department at LAX from the terminal commercial managers were approximately $28.7 million. See "FINANCIAL AND OPERATING INFORMATION CONCERNING LAX – Management Discussion of Fiscal Year 2015."

Duty Free Concessions

The Department entered into a duty free merchandise concession agreement with DFS Group L.P. ("DFS) for the design, construction, development and operation of duty free and duty paid merchandise concession at all Terminals at LAX (the "DFS Concession Agreement"). The initial term of the DFS Concession Agreement is scheduled to expire in September 2024. Under certain circumstances, the Department has the right to extend the DFS Concession Agreement for three one year extension terms. Under the DFS Concession Agreement, DFS is required to make initial capital investments for initial improvements to its premises of approximately $25 million and make mid-term capital investments for refurbishment of its premises of approximately $17 million. The DFS Concession Agreement provides that the Department will receive from DFS the greater of a minimum annual guarantee or performance rent comprised of percentage rent (based on the application of certain percentages to gross sales of various categories of products) and contingent rent (10% of gross sales in excess of $175 million). Under the DFS Concession Agreement, the minimum annual guaranty is the greater of (i) $30 million, provided that in the second year of the DFS Concession Agreement, such amount will be increased based on the consumer price index, (ii) a percentage of the prior year's rent payment, unless, in certain circumstances, international enplaned passengers at LAX have decreased below certain thresholds, and (iii) commencing in the third year of the DFS Concession Agreement, $6.25 per international enplaned passenger, subject to annual consumer price index increases. DFS is required to provide a performance guaranty in an amount equal to 25% of its minimum annual guaranty.

For Fiscal Year 2015, revenues to the Department at LAX from duty free sales were approximately $64.0 million. See "FINANCIAL AND OPERATING INFORMATION CONCERNING LAX – Management Discussion of Fiscal Year 2015."

Food and Beverage Concessions

The Department has entered into concession agreements with a number of food and beverage concessionaires for concessions at Terminals 4, 5, 7, 8 and the commuter facilities at LAX (the "Food and Beverage Concession Agreements"). The Food and Beverage Concession Agreements provide that the Department will receive from each concessionaire a concession fee equal to the greater of a minimum annual guaranty or a percentage of gross receipts. The aggregate minimum annual guaranty under the Food and Beverage Concession Agreements is approximately $11.3 million. Under the Food and Beverage Concession Agreements, each concessionaire is required to make initial capital investments for initial improvements to such concessionaire's premises, aggregating approximately $36.3 million, and additional mid-term capital investments for refurbishment of the applicable premises, aggregating approximately $7.5 million. Each food and beverage concessionaire is required to provide a performance guaranty in an amount equal to 25% of the applicable minimum annual guaranty. The Food and Beverage Concession Agreements are scheduled to expire in June 2021 and 2023.

For Fiscal Year 2015, revenues to the Department at LAX for food and beverage concessions were approximately $25.6 million. See "FINANCIAL AND OPERATING INFORMATION CONCERNING LAX – Management Discussion of Fiscal Year 2015."

Retail Concessions

The Department has entered into concession agreements with a number of retail concessionaires for concessions at Terminals 4, 5, 7 and 8 at LAX (the "Retail Concession Agreements"). The Retail Concession Agreements provide that the Department will receive from each concessionaire a concession fee equal to the greater of a minimum annual guaranty or a percentage of gross receipts. The aggregate minimum annual guaranty under the Retail Concession Agreements is approximately $7.4 million. Under the Retail Concession Agreements, each concessionaire is required to make initial capital investments for initial improvements to such concessionaire's premises, aggregating approximately $10.4 million, and additional mid-term capital investments for refurbishment of the applicable premises, aggregating approximately $2.1 million. Each concessionaire is required to provide a performance guaranty in an amount equal to 25% of the applicable minimum annual guaranty. The Retail Concession Agreements are scheduled to expire in June 2021.

For Fiscal Year 2015, revenues to the Department at LAX from Retail Concession Agreements were approximately $11.1 million. See "FINANCIAL AND OPERATING INFORMATION CONCERNING LAX – Management Discussion of Fiscal Year 2015."

Advertising Sponsorship and New Media Concession

The Department entered into a Terminal Media Operator Concession Agreement ("TMO Agreement") with JCDecaux Airport, Inc. ("JCDecaux"), effective February 2014. Pursuant to the TMO Agreement, JCDecaux serves as terminal media operator for the development and operation of certain advertising, sponsorship and other media concession locations within LAX. Under the TMO Agreement JCDecaux is granted the right to, among other things, market certain advertising and digital activation opportunities, develop and manage advertising displays, sponsorship activations and other media elements display locations at LAX. Under the TMO Agreement, JCDecaux is, subject to Department review, required to undertake certain development activities relating to advertising displays and other media elements in TBIT and in other portions of the Airport. The TMO Agreement is scheduled to expire in December 2020. The Department, under certain circumstances and in its sole discretion, may extend the term of the TMO Agreement for one additional period of three years. Subject to certain conditions provided in the TMO Agreement, JCDecaux is required to make an initial investment in certain improvements for the purpose of its sponsorship activations, advertising displays or other media elements equal to $18.5 million. Additionally, JCDecaux is also required to make additional investments in certain improvements for the purpose of its sponsorship activations, advertising displays or other media elements equal to $3.5 million over the remainder of the initial term of the TMO Agreement. The annual concession fees payable from JCDecaux to the Department under the TMO Agreement are based on a series of formulas set forth in the TMO Agreement and consist of, among other things, certain fees derived from certain minimum guarantees and/or certain fees derived from a percentage of gross revenues from advertising, media and sponsorship activities. For Fiscal Year 2015, JCDecaux was required to pay to the Department not less than an advertising minimum annual guaranty in the amount of $21 million and a sponsorship minimum annual guaranty in the amount of $5 million. Each of these minimum annual guarantees is subject to increases on an annual basis.

In Fiscal Year 2015, revenues to the Department at LAX from the TMO Agreement were approximately $22.5 million. See "FINANCIAL AND OPERATING INFORMATION CONCERNING LAX – Management Discussion for Fiscal Year 2015."

Rental Cars and Customer Facility Charges

Approximately 35 rental car companies operate at LAX, with vehicle rental sites located off-airport. Thirteen rental car companies (the "Approved Rental Car Companies") operating at LAX provide free shuttle services between LAX and their respective locations and are permitted to pick up and drop off their customers directly from the airline terminals. Customers of the other rental car companies use the free LAX Shuttle Bus to reach an off -airport location to meet their rental car courtesy shuttle. The Approved Rental Car Companies are each required to pay annually to the Department the greater of (i) a concession fee (comprised of 10% of the gross revenues derived by such Approved Rental Car Company from the operation of its automobile rental business under the Approved Rental Car Company's agreement with the Department), (ii) 90% of 10% of such Approved Rental Car Company's gross revenues derived by such Approved Rental Car Company from the operation of its automobile rental business under the Approved Rental Car Company's agreement with the Department or (iii) a minimum annual guaranty. For Fiscal Year 2015, the Approved Rental Car Companies paid approximately $78.6 million in concession fees to the Department, although their total minimum annual guaranties were only slightly above approximately $68 million. The agreements with the Approved Rental Car Companies are scheduled to expire in January 2018. The Department in its sole discretion may extend the term of such agreements for two additional one-year periods. The agreements also permit an Approved Rental Car Company to terminate its agreement at various intervals after January 1, 2017 in the event that the Department and the Approved Rental Car Companies are unable to agree on certain terms related to the planning, programming, financing and other matters related to the CONRAC or if certain other events related to environmental approvals related to the CONRAC and Customer Facility Charge collections do not occur. The Department also collects a rental car customer facility charge to, as permitted by applicable law, finance, design and construct the CONRAC and a common-use transportation system that moves passengers between airport terminals and the CONRAC in the form of an automated conveyance (the "Automated People Mover"). The Department collected rental car customer facility charges for Fiscal Year 2015 of approximately $29.3 million at LAX. Pledged Revenues do not include customer facility charge revenues unless otherwise included in Pledged Revenues pursuant to a Supplemental Senior Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015DE SENIOR BONDS – Senior Rate Covenant."

Parking

The Department has entered into an operating agreement with New South Parking-California, a partnership between Central Parking System, Inc. and Global Parking Systems, LA, LLC ("New South"), for the management of certain parking facilities at LAX and VNY. The agreement is scheduled to expire in May 2016. This agreement may be terminated by the Department upon 60 days' notice. The agreement requires New South to remit the gross revenues from the parking facilities it operates, on a daily basis, to the Department. The Department compensates New South for certain personnel expenses incurred in the management and operation of the parking facilities. For Fiscal Year 2015, parking revenues to the Department at LAX were approximately $85.8 million.

In July 2009, the Department purchased the property adjacent to Terminal 1, which is operated as the Park One parking lot (the "Park One Property"). In connection with the purchase, the Department assumed an operating lease with PNF-LAX, Inc. (the "PNF Lease") which, subject to the terms thereof, may be extended at the option of PNF-LAX, Inc. on a periodic basis through December 2028. PNF-LAX exercised an option to extend the term of the PNF Lease to December 31, 2017. Under the PNF Lease, the Department receives escalating annual revenues. In Fiscal Year 2015, the Department received approximately $9 million, inclusive of base rent and percentage rent on gross revenues after certain thresholds are met.

FINANCIAL AND OPERATING INFORMATION CONCERNING LAX

Summary of Operating Statements

The following table summarizes the financial results from operations for LAX for the Fiscal Years 2011 through 2015. See APPENDIX B – "ANNUAL FINANCIAL REPORT OF LOS ANGELES WORLD AIRPORTS (DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES, CALIFORNIA) LOS ANGELES INTERNATIONAL AIRPORT FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014."

TABLE 14
DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES
LOS ANGELES INTERNATIONAL AIRPORT
HISTORICAL OPERATING STATEMENTS
(DOLLARS IN THOUSANDS)[1]

	Fiscal Year				
	2011[2]	**2012[2]**	**2013[2]**	**2014[2]**	**2015**
Operating revenues:					
Aviation revenue					
Landing fees	$ 191,307	$ 205,568	$ 216,359	$ 222,608	$ 227,518
Building rentals[3]	220,940	247,939	257,251	315,764	365,296
Other aviation revenue[3][4]	88,989	86,402	84,934	90,154	95,042
Concession revenue[5]	263,195	278,767	304,139	331,311	354,082
Airport sales and services	1,916	2,190	808	853	765
Other operating revenue	1,497	1,224	1,982	1,039	3,097
Total operating revenue	$ 767,844	$ 822,090	$ 865,473	$ 961,729	$ 1,045,800
Operating expenses:					
Salaries and benefits	$ 323,522	$ 339,551	$ 338,004	$ 356,726	$ 374,018
Contractual services	143,684	162,071	162,661	161,771	174,745
Administrative expense	3,197	5,895	1,126	(1,768)	2,890
Materials and supplies	32,699	35,986	47,908	45,726	46,102
Utilities	29,606	30,664	32,472	39,089	38,355
Advertising and public relations	6,219	3,186	3,421	3,915	4,606
Other operating expenses	2,301	2,807	3,838	4,567	4,682
Total operating expenses before depreciation and amortization	$ 541,228	$ 580,160	$ 589,430	$ 610,027	$ 645,398
Income from operations before depreciation and amortization	$ 226,616	$ 241,930	$ 276,043	$ 351,702	$ 400,402
Depreciation and amortization	(103,300)	(123,941)	(134,500)	(141,795)	(178,035)
Operating Income	$ 123,316	$ 117,989	$ 141,543	$ 209,907	$ 222,367
Non-Operating revenues/(expenses):					
Passenger facility charges	$ 117,821	$ 121,443	$ 124,610	$ 132,809	$ 137,855
Customer facility charges[5]	24,250	26,002	27,295	28,675	29,347
Interest income	29,896	27,553	25,231	20,413	20,327
Change in fair value of investments	(832)	5,249	(22,793)[6]	1,799	(2,021)
Other non-operating revenue[3]	13,380	13,910	12,067	11,122	8,618
Interest expense	(78,740)	(83,068)	(93,610)	(133,694)	(166,919)
Bond expense	(902)	(993)	(2,003)	(1,703)	(2,488)
Other non-operating expenses	(981)	(252)	(55)	(225)	(7,071)[7]
Net non-operating revenues / (expenses)	$ 103,892	$ 109,844	$ 70,742	$ 59,196	$ 17,648
Income before capital grant					
Contributions	$ 227,208	$ 227,833	$ 212,285	$ 269,103	$ 240,015
Federal grants	67,939	59,854	12,264	24,674	30,964
Inter-agency transfers	804	3,466	(2,126)	6,329	5,303
Change in net assets	295,951	291,153	222,423	300,106	276,282
Net position, beginning of period	$ 3,241,276	$ 3,537,227	$ 3,828,380	$ 4,044,923	$ 4,345,029
Change in accounting principle and removal of net pension obligation	--	--	(5,880)	--	(567,894)[8]
Net position, end of period	$ 3,537,227	$ 3,828,380	$ 4,044,923	$ 4,345,029	$ 4,053,417

(1) Totals may not add due to rounding.
(2) Restated. Certain reclassifications have been made to conform to fiscal year 2015 presentation.
(3) Terminal use and gate use fees reclassified from other aviation revenue to building rentals revenue.
(4) Includes reimbursement of security-related expenses; TSA revenue pertaining to law enforcement officers and canines reclassified from operating revenue to non-operating revenue.
(5) Customer facility charges were reclassified from concession revenue to non-operating revenue.
(6) The annualized rates of return of the Treasury Pool reserve and core portfolio for Fiscal Year 2013 were approximately 0.15% and approximately 0.23% respectively, compared to prior Fiscal Year rates of approximately 2.38% and approximately 0.21%. The net change in investment rates was translated to the downward year end net adjustment of the fair value of investment securities.
(7) Includes approximately $6.948 million adjustment to Fund Balance.
(8) Primarily comprised of the proportional allocation of the City's Net Pension Liability. See "THE DEPARTMENT OF AIRPORTS – Retirement Plan."
Source: Department of Airports of the City of Los Angeles.

See also APPENDIX B – "ANNUAL FINANCIAL REPORT OF LOS ANGELES WORLD AIRPORTS (DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES, CALIFORNIA) LOS ANGELES INTERNATIONAL AIRPORT FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014."

Management Discussion of Fiscal Year 2015

Total operating revenue at LAX for Fiscal Year 2015 was approximately $1.05 billion, an increase of approximately $84.1 million, or approximately 8.7%, from Fiscal Year 2014. The increase was comprised primarily of an increase in building rental revenue of approximately $49.5 million, or approximately 15.7%, from Fiscal Year 2014, and an increase in concession revenues of approximately $22.8 million, or approximately 6.9%, from Fiscal Year 2014.

Landing fee revenue at LAX for Fiscal Year 2015 was approximately $227.5 million, an increase of approximately $4.9 million, or approximately 2.2%, from Fiscal Year 2014. Building rental revenue at LAX for Fiscal Year 2015 was approximately $365.3 million, an increase of approximately $49.5 million, or approximately 15.7%, from Fiscal Year 2014. The increases in building rental revenue were primarily due to recovery of higher terminal operating costs and capital costs that are hitting the rate base after new projects have gone into service. Concession revenue at LAX for Fiscal Year 2015 was approximately $354.1 million, an increase of approximately $22.8 million, or approximately 6.9%, from Fiscal Year 2014. The increases in concession revenue were due to a combination of increased passenger levels and new or redeveloped concession spaces being put into service. Other operating revenue at LAX, including airport sales and services and other aviation and operating revenue, for Fiscal Year 2015 was approximately $98.9 million, an increase of approximately $6.9 million, or approximately 7.5%, from Fiscal Year 2014.

Operating expenses before depreciation and amortization at LAX for Fiscal Year 2015 were approximately $645.4 million, an increase of approximately $35.4 million, or approximately 5.8%, from Fiscal Year 2015. The increase was primarily comprised of an increase in salaries and benefits expenses of approximately $17.3 million, or approximately 4.85%, from Fiscal Year 2014, and an increase in contractual services expenses of approximately $13.0 million, or approximately 8.0%, from Fiscal Year 2014. Salaries and benefit expenses at LAX for Fiscal Year 2015 were approximately $374.0 million, an increase of approximately $17.3 million, or approximately 4.9%, from Fiscal Year 2014. The increases in salaries and benefit expenses were primarily due to cost of living adjustments, increases in pension contributions and increases in allowances for workers compensation claims. Contractual services expenses at LAX for Fiscal Year 2015 were approximately $174.8 million, an increase of approximately $13.0 million, or approximately 8.0%, from Fiscal Year 2014. The increases in contractual services expenses were primarily due to increases in landside busing costs. Materials and supplies expenses at LAX for Fiscal Year 2015 were approximately $46.1 million, an increase of approximately $0.3 million, or approximately 0.8%, from Fiscal Year 2014. Other operating expenses at LAX, including administrative expenses, utilities, advertising and public relations and other operating expense, for Fiscal Year 2015 were approximately $50.5 million, an increase of approximately $4.7 million, or approximately 10.3%, from Fiscal Year 2014.

For the Fiscal Year 2015, pursuant to GASB 68, a proportional allocation of the City's Net Pension Liability, together with other pension liability adjustments, in the aggregate amount of approximately $567.9 million were allocated to the Department with respect to LAX. GASB 68 addresses the disclosure of pension liability only and does not impose any funding requirements. The Department expects that its contributions to LACERS will continue to increase, in amounts that may be significant. Prior to the application of the GASB 68 a proportional allocation of the City's Net Pension Liability, the change in net assets of the Department with respect to LAX for Fiscal Year 2015 reflected an increase of approximately $269.6 million. Upon the application of the GASB 68 proportional allocation of the City's Net Pension Liability, the net position of the Department with respect to LAX for Fiscal Year 2015 was approximately $4.1 billion, a decrease of approximately $291.6 million, or approximately 6.7%, from Fiscal Year 2014.

Management Discussion of Fiscal Year 2014

Total operating revenue at LAX for Fiscal Year 2014 was approximately $961.7 million, an increase of approximately $96.3 million, or approximately 11.1%, from Fiscal Year 2013, comprised primarily of an increase in aviation revenue of approximately $69.9 million, or approximately 12.5%, and an increase in non-aviation revenue of approximately $26.3 million, or approximately 8.6%.

Landing fees, net of the reliever fee, at LAX for Fiscal Year 2014 were approximately $222.6 million, an increase of approximately $6.2 million, or approximately 2.9%, from Fiscal Year 2013. The increases in landing fee revenue resulted from higher levels of airfield operating and capital costs recovered through the Department's landing fee. Building rental revenue at LAX for Fiscal Year 2014 increased approximately $58.5 million, or approximately 22.8%, from Fiscal Year 2013. The increase was primarily attributable to the improvements and refurbishments in the Terminals, the adoption of the new rates and charges, as well as the new and renegotiated leases signed with the airlines and other tenants. Building rental revenue from Skyview Center, which was acquired in Fiscal Year 2013, represented approximately $5.2 million of the increase.

Total revenue from concessions at LAX for Fiscal Year 2014 were approximately $331.3 million, an increase of approximately $27.2 million, or approximately 8.9%, from Fiscal Year 2013. The increases were due to a combination of higher levels of gross sales in the terminals and increases in parking revenues and rental car concession payments. In-terminal concession revenue constitutes 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, rental cars, bus, limousine and taxi services.

In-terminal concession revenue at LAX for Fiscal Year 2014 increased by approximately $12.7 million, or approximately 9.0%, from Fiscal Year 2013. The increase was attributable to increased passenger traffic and revenue from sales in excess of minimum annual guarantees. Duty free concession revenue at LAX for Fiscal Year 2014 increased by approximately $5.3 million, or approximately 10.5%, from Fiscal Year 2013. The total revenue from food and beverage concessionaires, retail merchants and commercial management concessionaires at LAX for Fiscal Year 2014 increased approximately $8.6 million, or approximately 14.7%, from Fiscal Year 2013. Advertising revenue at LAX for Fiscal Year 2014 decreased by approximately $2.0 million, or approximately 10.1%, from Fiscal Year 2013, as a result of the loss of some advertising locations due to the closure of the old south concourse in TBIT and impacts of construction of in Terminal 4.

Off-terminal concession revenue at LAX for Fiscal Year 2014 was approximately $177.0 million, an increase of approximately $14.5 million, or approximately 8.9%, from Fiscal Year 2013. This increase included increases of approximately $6.0 million in auto parking revenues and approximately $6.0 million in rental car revenues.

Operating expenses before depreciation and amortization at LAX for Fiscal Year 2014 were approximately $610.0 million, an increase of approximately $20.6 million, or approximately 3.5%, from Fiscal Year 2013. Salaries and benefits expenses experienced the most significant growth for Fiscal Year 2014, increasing approximately $18.7 million, or 5.5%, from Fiscal Year 2013, primarily due to bargaining agreements with employee unions. The combined increase in retirement contributions, healthcare subsidy, and accrued sick and vacation was approximately $4.3 million while workers' compensation decreased by approximately $1.1 million.

Utilities expenses also grew for Fiscal Year 2014, increasing approximately $6.6 million, or approximately 20.4%, from Fiscal Year 2013, attributable to a combination of higher electricity rates and consumption as a result of the opening of the Bradley West Project. Contractual services and materials and supplies at LAX for Fiscal Year 2014 decreased by nearly $6.0 million, or approximately 2.8%, from Fiscal Year 2013, attributable to, among other things, lower environmental consultant expenses and lower equipment maintenance and operations expenditures.

Top Revenue Providers and Sources

The following table sets forth the top ten revenue providers at LAX for Fiscal Year 2015.

TABLE 15
DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES
LOS ANGELES INTERNATIONAL AIRPORT
TOP TEN REVENUE PROVIDERS
FISCAL YEAR 2015
(DOLLARS IN THOUSANDS)[(1) (2)]

1.	United Air Lines[(3)]	$ 123,175
2.	American Airlines[(4)]	107,167
3.	Delta Air Lines	100,929
4.	DFS Group	66,267
5.	Southwest Airlines	43,697
6.	Alaska Airlines	29,138
7.	The Hertz Corporation[(5)]	28,320
8.	Westfield Concession Management	27,983
9.	Virgin America	26,059
10.	Avis Rent A Car System[(5)]	25,561

(1) Excludes revenue from the federal government. The amounts in this table reflect those amounts billed by the Department to the applicable revenue providers as of June 30, 2015.
(2) For airlines that (i) were party to a completed merger or acquisition, (ii) have received a single FAA certificate and (iii) have completed operational integration, only the surviving entity is presented and the activities for the airlines that are now a part of the surviving airline are included in the information presented.
(3) Includes Continental Airlines and SkyWest Airlines.
(4) Includes American Eagle Airlines.
(5) Includes approximately $6.7 million (Hertz) and $4.6 million (Avis) of Customer Facility Charges. Customer Facility Charges are not included in Pledged Revenues.
Source: Department of Airports of the City of Los Angeles.

The following table sets forth top ten revenue sources at LAX for Fiscal Year 2015.

TABLE 16
DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES
LOS ANGELES INTERNATIONAL AIRPORT
TOP TEN REVENUE SOURCES
FISCAL YEAR 2015[(1)]
(DOLLARS IN THOUSANDS)

1.	Terminal Rentals	$ 305,430
2.	Landing Fees	227,518
3.	Land Rentals	90,478
4.	Auto Parking	85,803
5.	Rental Cars[(2)]	78,556
6.	Food, Beverage, Gift, News and Terminal Commercial Managers	65,367
7.	Duty Free Sales	63,983
8.	Other Building Rentals	59,866
9.	Advertising	22,552
10.	Bus, Limousine and Taxi	11,901

(1) The amounts in this table reflect those amounts received by the Department from the applicable revenue sources as of June 30, 2015.
(2) Customer Facility Charges for Fiscal Year 2015 amounted to approximately $29.3 million; however, Customer Facility Charges are not included in Pledged Revenues.
Source: Department of Airports of the City of Los Angeles.

Budgeting Process

Each year the Department's proposed budget is submitted to the Mayor by the Executive Director, and for information purposes only, the Mayor includes the Department's proposed budget as a part of the overall City budget. The final budget is adopted by the Board prior to the beginning of the fiscal year. Neither the Mayor nor the City Council may amend or otherwise change the adopted budget; however, see "THE DEPARTMENT OF AIRPORTS – Oversight by the City Council."

Fiscal Year 2016 Budget

Department management developed the Fiscal Year 2016 LAX Operating Budget after considering a number of factors including recent years' operating revenue and expense trends, LAX passenger traffic projections, the Department's capital projects, including the issuance of additional debt to finance the Department's capital projects, and other Departmental goals. Staff from each of LAX's divisions prepared and submitted their preliminary budgets within the constraints defined by budget staff and submitted additional requests for review in January and February 2015. Budget hearings were conducted in February 2015 with Operating Budget staff and the Department's deputy executive directors to discuss past trends and changes in future needs. The Department's executive management reviewed the resulting budget and additional requests and made adjustments based on expenditure priority and operational need. The Board formally adopted the Fiscal Year 2016 Operating Budget in June 2015.

The Fiscal Year 2016 LAX Operating Budget projects operating revenues of approximately $1.2 billion, approximately 9.7% higher than budgeted in the Fiscal Year 2015 LAX Operating Budget. The Department projects LAX aviation revenues of approximately $791.8 million, approximately 11.1% higher than budgeted in the Fiscal Year 2015 LAX Operating Budget. The Department has projected that LAX aviation revenues will increase due primarily to increased cost recovery from airline passenger terminal tenants at LAX. The Fiscal Year 2016 LAX Operating Budget projects non-aviation operating revenues of approximately $375.2 million, approximately 6.7% higher than budgeted in the Fiscal Year 2015 LAX Operating Budget, as redeveloped terminal concessions and increased levels of passenger traffic contribute to greater terminal concession and ground transportation revenues. The Fiscal Year 2016 LAX Operating Budget projects operating expenses of approximately $711.0 million, approximately 3.8% higher than the Fiscal Year 2015 LAX Operating Budget. The Fiscal Year 2016 LAX Operating Budget does not include appropriations for the Series 2015DE Senior Bonds Projects or other capital improvement projects. See "CAPITAL PLANNING." Under the Fiscal Year 2016 LAX Operating Budget, the Department has budgeted approximately $395.7 million for salaries, benefits and other payroll expenses for the

Department's employees at LAX (representing an increase of approximately 3.7% from the Fiscal Year 2015 LAX Operating Budget) and approximately $56.0 million for payments to the City for fire service, supplemental police assistance and other support services and personnel costs at LAX. Amounts budgeted for these expenses represent approximately 63.5% of the Department's operating budget at LAX. Contractual services, including payments for services provided by the City, as discussed above, are budgeted in the Fiscal Year 2016 LAX Operating Budget at approximately $200.0 million (representing an increase of approximately 1.5% from the Fiscal Year 2015 LAX Operating Budget). See also "THE DEPARTMENT OF AIRPORTS – Employees and Labor Relations" and "— Retirement Plan."

The following table sets forth a summary of the operating budget at LAX for Fiscal Year 2016.

TABLE 17
DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES
LOS ANGELES INTERNATIONAL AIRPORT
SUMMARY OF OPERATING BUDGET
FISCAL YEAR 2016[(1)]
(DOLLARS IN MILLIONS)

	Fiscal Year
Operating revenues:	
Aviation revenue	
Landing fees	$ 245.2
Building rentals	449.9
Land rentals	88.1
Other aviation revenue	8.6
Concession revenue	373.1
Airport sales and services	0.7
Miscellaneous revenue	1.3
Total operating revenue	$ 1,167.0
Operating expenses:	
Salaries and benefits	$ 395.7
Contractual services	200.0
Administrative expense	4.5
Materials and supplies	50.5
Utilities	46.6
Advertising and public relations	5.1
Other operating expenses	8.7
Total operating expenses	$ 711.0
Income from operations before depreciation and amortization	$ 456.0

(1) Totals may not add due to rounding.
Source: Department of Airports of the City of Los Angeles.

Debt Service Coverage

The following table shows historical debt service coverage on the Senior Bonds, the Subordinate Bonds and the Subordinate Commercial Paper Notes for Fiscal Years 2011 through 2015.

TABLE 18
DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES
LOS ANGELES INTERNATIONAL AIRPORT
HISTORICAL DEBT SERVICE COVERAGE
FISCAL YEARS 2011-2015(1)
(DOLLARS IN THOUSANDS)

	2011	2012	2013	2014	2015
Pledged Revenues(2)					
Total Operating Revenues(3)(4)	$ 767,844	$ 822,090	$ 865,473	$ 961,729	$1,045,800
Interest Income	16,296	20,042	1,400	10,189	9,700
Build America Bonds Subsidy(4)	7,640	8,328	7,965	7,728	7,719
Non- Operating TSA Revenue(3)	4,027	4,876	1,253	5,012	2,895
Total Pledged Revenues	$ 795,807	$ 855,336	$ 876,091	$ 984,658	$1,066,114
LAX Maintenance and Operations Expenses(5)	(539,534)	(578,099)	(587,948)	(608,722)	(645,091)
Net Pledged Revenues(6)	$ 256,273	$ 277,237	$ 288,143	$ 375,936	$ 421,023
Senior Bond Aggregate Annual Debt Service	$ 60,095(7)	$ 60,577(7)	$ 45,486(7)	$ 62,560(7)	$ 110,237(7)
Senior Bond Debt Service Coverage Ratio	4.26x	4.58x	6.33x	6.01x	3.82x
Subordinate Bond Debt Service(8)	$ 40,649	$ 45,508	$ 49,904	$ 52,067	$ 55,439
Subordinate Bond Debt Service Coverage Ratio	4.83x	4.76x	4.86x	6.02x	5.61x
Total Debt Service Coverage Ratio	2.54x	2.61x	3.02x	3.28x	2.54x

(1) Derived from unaudited financial statements.
(2) As defined in the Senior Indenture.
(3) TSA Revenue – Law Enforcement Officers and Canine reclassified from Operating Revenue to Non-Operating Revenue. Interest income is net of rent credits of approximately $10 thousand for Fiscal Year 2011; excludes passenger facility charges, Customer Facility Charges and construction funds.
(4) Represents cash subsidy payments from the United States Treasury received in connection with the Series 2009C Subordinate Bonds and the Series 2010C Subordinate Bonds. See "CERTAIN INVESTMENT CONSIDERATIONS – Federal Funding; Impact of Federal Sequestration."
(5) As defined in the Senior Indenture. Excludes depreciation and expenses of LAX payable from sources other than Pledged Revenues.
(6) As defined in the Senior Indenture. Equals Pledged Revenues less LAX Maintenance and Operations Expenses.
(7) Net of approximately $19 million, approximately $25.2 million, approximately $34.4 million, approximately $96.5 million and approximately $91.0 million passenger facility charge reimbursements for Fiscal Years 2011, 2012, 2013, 2014 and 2015 debt service payments, respectively, pursuant to the Senior Indenture. Presentations of PFC reimbursements in this table differ from those in the audited financial statements of the Department due to differences in accounting practices.
(8) Also includes actual debt service with respect to the Subordinate Commercial Paper Notes.

Source: Department of Airports of the City of Los Angeles.

See APPENDIX A – "REPORT OF THE AIRPORT CONSULTANT – FINANCIAL ANALYSIS – Debt Service Coverage" for calculations of revenues, expenses, debt service and debt service coverage on the Senior Bonds, the Subordinate Bonds and combined coverage for Fiscal Years 2016 through 2021 as forecast by the Airport Consultant.

Investment Practices of the City Treasurer

All moneys held in the Airport Revenue Fund are currently invested by the City Treasurer in investments authorized by State law. The City Treasurer invests temporarily idle cash for the City, including that of the Department, as part of a pooled investment program (the "Pool") which combines general receipts with special funds for investment purposes and allocates interest earnings on a pro rata basis when the interest is earned and distributes interest receipts based on the previously established allocations. Below is a summary of assets of the Pool as of June 30, 2015:

TABLE 19
CITY OF LOS ANGELES POOLED INVESTMENT FUND[(1)]
ASSETS AS OF JUNE 30, 2015
(Dollars in Millions)

Description	Market Value[(2)]	% of Total	Department Market Value[(3)]	LAX Market Value[(4)]
Bank Deposits	$ 90	1.1%	$ 18	$ 16
CDARS	11	0.1	2	2
Commercial Paper	1,155	13.7	225	205
Corporate Notes	242	2.9	47	43
U.S. Federal Agencies/Munic/Supras	88	1.0	17	16
Total Short-Term Core Portfolio:	$ 1,586	18.8	$ 309	$ 282
Corporate Notes	1,403	16.6	274	249
U.S. Federal Agencies/Munic/Supras	807	9.6	158	144
U.S. Treasuries	4,650	55.1	907	827
Total Long-Term Reserve Portfolio	$ 6,860	81.2	$ 1,339	$1,220
Total Cash & Pooled Investments	$ 8,446	100.0%	$ 1,648	$1,502

(1) Derived from unaudited financial statements; based on General Portfolio Asset Holdings provided by Office of Finance. Totals may not add due to rounding.
(2) Total amount held by the City in the Pool, including the funds of other departments.
(3) The Department's share of the Pool, including restricted assets; allocated by Financial Reporting Division of the Department.
(4) Inclusive of restricted cash; fund not segregated from other funds in the Pool; allocated by Financial Reporting Division of the Department.
Source: Office of Finance, City of Los Angeles and Department of Airports of the City of Los Angeles, California.

The average life of the investment portfolio in the Pool as of June 30, 2015 was approximately 2.3 years.

The City's treasury operations are managed in compliance with the California State Government Code and a statement of investment policy which sets forth permitted investment vehicles, liquidity parameters and maximum maturity of investments. The City Treasurer indicates that the City does not invest in structured and range notes, securities that could result in zero interest accrual if held to maturity, variable rate, floating rate or inverse floating rate investments and mortgage-derived interest or principal-only strips. See also Note 3 – APPENDIX B – "ANNUAL FINANCIAL REPORT OF LOS ANGELES WORLD AIRPORTS (DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES, CALIFORNIA) LOS ANGELES INTERNATIONAL AIRPORT FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014."

Risk Management and Insurance

The Senior Indenture requires that the Department maintain insurance or qualified self-insurance against such risks at LAX as are usually insured at other major airports, to the extent available at reasonable rates and upon reasonable terms and conditions. The Department is not required under the Senior Indenture to carry insurance against losses due to seismic activity and has obtained a waiver of insurance from FEMA and the State Department of Insurance, which means that the Department would be eligible for reimbursement as and if available from FEMA in the event of earthquake losses. The Department has purchased insurance to cover catastrophic property, flood, wind and earthquake losses up to $25 million. The deductible for this coverage is 5% per insured structure. The Department is self-insured for these catastrophic losses in excess of $25 million.

The Department carries commercial aviation general liability insurance with coverage limits of $1.3 billion for losses arising out of liability for airport operations. The deductible on the commercial aviation liability coverage is $10,000 per occurrence with an annual $500,000 aggregate deductible. This aviation liability coverage incorporates a foundation of comprehensive in-house claims management program, incremental claims analysts and adjustors and both outside and inside defense counsel. The liability coverage has endorsements of coverage for all third-party claims and suits, on premises automobile coverage, employment personal injury coverage, errors and omissions coverage and hangar and aircraft owner's liability coverage.

The Department carries general all-risk property insurance with coverage limits of $2.5 billion for all Department properties. The deductible on this coverage is $100,000 per occurrence, no aggregate. The

Department's insurance also incorporates a property insurance special endorsement that provides coverage for property losses resulting from acts of terrorism for declared foreign acts of terrorism. Coverage under this endorsement parallels the general all-risk limits of $2.5 billion. The Department's insurance coverage also incorporates a property insurance special endorsement that provides for coverage for "boiler and machinery" losses up to a covered limit of $250 million and property insurance special endorsement that provides coverage for "business interruption" losses to the Airport System resulting from a covered property peril. Coverage for business interruption is included with full policy limits of $525 million and the deductible is 6 hours from initial declared interruption.

The Department has also purchased a war and allied perils (also referred to as terrorism insurance) endorsement with coverage of up to $1.0 billion with a deductible of $10,000 per occurrence and an annual $500,000 aggregate deductible. War and allied perils coverage extends to both foreign acts of terrorism and domestic acts of terrorism. Coverage under the War and Allied Perils endorsement may be terminated at any time by the underwriters and terminates automatically upon the outbreak of war (whether there has been a declaration of war or not) between any two or more of the following: France, the People's Republic of China, the Russian Federation, the United Kingdom or the United States, and certain provisions of the endorsement are terminated upon the hostile detonation of any weapon of war employing atomic or nuclear fission and/or fusion or other like reaction or radioactive force.

The Department maintains an insurance reserve fund, pursuant to Board policy. This fund has been established to fund uninsured or under-insured losses or where insurance capacity is unavailable or excessive in cost relative to coverage. This reserve fund would provide primary funding for catastrophic losses with respect to all four airports in the Airport System. As of June 30, 2015, there was approximately $117.2 million in this fund.

Pursuant to the State Labor Code, the State Department of Industrial Relations has provided the City a Certificate of Consent to Self-Insure in connection with its workers' compensation liability. See Note 10 "AUDITED FINANCIAL STATEMENTS OF LOS ANGELES WORLD AIRPORTS (DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES, CALIFORNIA) LOS ANGELES INTERNATIONAL AIRPORT FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013." Additionally, the Department employs an active loss prevention program for both general liability and property/casualty perils. This on-going program seeks to identify, eliminate or mitigate the loss or peril before it becomes a loss or claim.

CAPITAL PLANNING

The Department is undertaking a multi-billion dollar development program at LAX. The following is a discussion of the Department's capital development (see "—Capital Development") and certain sources of financing (see "—Capital Financing").

Capital Development

On June 18, 2013, the Board approved the Department's Capital Improvement Program (the "Capital Improvement Program") for Fiscal Years 2014 through 2018. The Capital Improvement Program is a multi-year comprehensive planning tool which, among other things, provides a list of proposed capital projects developed based on prioritized needs and affordability, is used to inform decision makers and stakeholders of proposed capital expenditures and opportunity costs, and is designed to assist with the development of capital budgets. The Capital Improvement Program is designed to be updated periodically as capital budgets are developed. The Board's approval of the Capital Improvement Program does not constitute project or program approval of appropriations for their funding. Specific projects and programs may require environmental review and further Board action. Capital Improvement Program projects include various terminal projects, airfield and apron projects, landside projects and other projects. The Capital Improvement Program also includes annual Capital Renewal Allowances to allow the Department to address small and undefined capital improvements and/or equipment replacements and other miscellaneous projects.

On a formal basis the Department reviews and assesses capital needs annually, and continuously on an informal basis, taking into account improved information regarding the condition and/or requirements of new and existing facilities, improved cost estimates for contemplated projects, new opportunities for investments or acquisitions that arise from time to time, current and forecasted traffic levels and changes within the industry that may influence the cost of the Capital Improvement Program. The Department's analysis of these factors and other information may result in changes to timing of or scope of contemplated projects and the addition to or removal of projects from the Capital Improvement Program.

The Report of the Airport Consultant organizes the Department's capital plans into the following three categories:

- "Series 2015DE Senior Bond Projects" which include projects to be funded, in part, with the Series 2015DE Senior Bond proceeds.
- "Other Committed and Planned Projects" which includes (1) projects already underway but not yet completed at LAX, and (2) future projects other than the Series 2015DE Senior Bonds Projects that the Department expects to be completed during the projection period (through Fiscal Year 2021). Other Committed and Planned Projects are those that are relatively certain in terms of their scopes, costs, and timing of implementation. The Other Committed and Planned Projects include certain (i) terminal projects such as, renovation and modernization of certain terminal facilities, (ii) airfield and apron projects such as noise mitigation, sound proofing, runway safety improvements, taxilane improvements, airplane parking improvements and infrastructure projects, and (iii) landside projects such as parking and roadway improvements, information technology projects and infrastructure projects. Certain Other Committed and Planned Projects have not received all necessary planning, environmental, Board or other required approvals.
- "Preliminary Stage Projects" includes projects that are needed for the long term effective operation of LAX, but the specifics of whose scopes, costs, implementation timing and funding sources are yet to be determined by the Department.

The Series 2015DE Senior Bonds Projects and the Other Committed and Planned Projects are referred to herein and in the Report of the Airport Consultant as the "Capital Program." The Department plans to undertake certain Other Committed and Planned Projects and any Preliminary Stage Projects, or portions thereof, as demand at LAX warrants, if costs of such projects are reasonable and if financing thereof is available at reasonable rates.

Certain Preliminary Stage Projects

The Department is in the process of defining and undertaking environmental review of certain landside projects at LAX. The proposed program would include CONRAC, Intermodal Transportation Facilities (the "Intermodal Transportation Facilities"), an Automated People Mover, and certain parking projects to support these potential projects (collectively, the "Landside Access Modernization Program"). The Automated People Mover would connect the Central Terminal Area with the Intermodal Transportation Facilities, the planned Los Angeles County Metropolitan Transportation Authority's light rail line, the CONRAC and the parking development. Subject to obtaining the required environmental and other approvals, it is likely that construction of one or more of these projects could begin prior to the end of Airport Consultant's forecast period (Fiscal Year 2021); however, the Department does not expect that any of these projects, if undertaken, will be completed during the Airport Consultant's forecast period (through Fiscal Year 2021). See "USE OF AIRPORT FACILITIES – Concession and Parking Agreements – Rental Concessions."

The Department's initial estimates of total costs of the Landside Access Modernization Program are in the range of $4.5 billion to $5.5 billion, approximately $1 billion of which are attributable to the CONRAC project. The Department currently expects that the CONRAC project, which is part of the Landside Access Modernization Program, and portions of the Automated People Mover may be funded primarily through Customer Facility Charges and/or debt supported by Customer Facility Charges. Customer Facility Charges, unless otherwise pledged under the terms of any Supplemental Senior Indenture, are excluded from Pledged Revenues. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015DE SENIOR BONDS – Flow of Funds." As of June 30, 2015 the Department has collected approximately $211.1 million of Customer Facility Charges. The Department presently expects the CONRAC project, if undertaken, could be completed as early as Fiscal Year 2023.

Until the design and procurement process is complete, the scope, timing of implementation, cost and approvals related to the potential Landside Access Modernization Program, are subject to substantial revisions and while sufficiently developed for the environmental review and design process, have not advanced sufficiently to permit the Department to reasonably estimate the costs for these potential projects for purposes of the Airport Consultant's forecasts.

Capital Financing

Capital Program Costs

The total projects in the Capital Program are expected to cost approximately $5.8 billion (comprised of approximately $2.1 billion for the Series 2015DE Senior Bonds Projects and approximately $3.7 billion for the Other Committed and Planned Projects).

Cost estimates include design, engineering, construction, escalation for inflation (as appropriate) and contingency amounts. The Capital Program is expected to be financed with a combination of grants, passenger facility charges, Department and other funds, the proceeds of the Series 2015DE Senior Bonds, Existing Senior Bonds and Existing Subordinate Obligations and Additional Senior Bonds and/or additional Subordinate Obligations. Some or all of the funding sources for certain Ongoing and Committed Projects have already been secured, provided, however, that certain TSA and AIP grants and approvals for passenger facility charge collections have not yet been realized. The estimated costs of, and the projected schedule for, the Capital Program are subject to a number of uncertainties. In addition, it is possible that the Department may pursue projects not incorporated in the Capital Program. The Department may ultimately decide not to proceed with the projects described above, including portions of the Series 2015DE Senior Bonds Projects not financed with the proceeds of the Series 2015DE Senior Bonds, or may proceed with them on a different schedule, resulting in different results than those included in the forecasts. See "CERTAIN INVESTMENT CONSIDERATIONS – Delays and Cost Increases; Future Capital Projects; Additional Indebtedness" and "PLAN OF FINANCE." See also "USE OF AIRPORT FACILITIES – Airport Terminal Tariff."

Grants

A portion of the Capital Program is expected to be financed with federal and other grants. Projects included in the Capital Program are expected to be financed from AIP and TSA grants in the amount of approximately $285.3 million (comprised of approximately $118.3 million for the Series 2015DE Senior Bonds Projects and approximately $167.0 million for the Other Committed and Planned Projects). See "CERTAIN FUNDING SOURCES – Grants."

Passenger Facility Charges

A portion of the Capital Program is expected to be financed with passenger facility charges. Projects included in the Capital Program are expected to be financed from PFC revenues on a pay-as-you-go basis in the amount of approximately $411.4 million for the Other Committed and Planned Projects. See "CERTAIN FUNDING SOURCES – Passenger Facility Charges" and APPENDIX A – "REPORT OF THE AIRPORT CONSULTANT – AIRPORT CAPITAL PROGRAM AND FUNDING – Summary of Capital Program Funding – Passenger Facility Charges" for additional information about the Department's expected use of PFC revenues.

Department and Other Funds

A portion of the Capital Program is expected to be financed with Department funds including funds deposited in the TRIF pursuant to the Rate Agreements with the airlines and certain other funds including grants other than AIP and TSA grants. Projects included in the Capital Program are expected to be financed from Department funds and other funds including grants other than AIP and TSA grants in the amount of approximately $1.7 billion (comprised of approximately $389.8 million for the Series 2015DE Senior Bonds Projects and approximately $1.324 billion for the Other Committed and Planned Projects). See "FINANCIAL AND OPERATING INFORMATION CONCERNING LAX" regarding Department funds and revenues. See also "USE OF AIRPORT FACILITIES – Rate Agreement" regarding the TRIF.

Debt Financing

A portion of the Capital Program is expected to be financed with the proceeds of Senior Bonds and Subordinate Obligations. Projects included in the Capital Program are expected to be financed from the proceeds of Senior Bonds and Subordinate Obligations funds in the amount of approximately $3.3 billion, comprised of:

- For the Series 2015DE Senior Bonds Projects:
    - $312.9 million of Series 2015DE Senior Bonds proceeds;
    - $512.1 million of previously issued Senior Bonds and Subordinate Obligations; and

    - $779.3 million of additional Senior Bonds and Subordinate Obligations.

- For the Other Committed and Planned Projects, approximately:
    - $1.2 billion of additional Senior Bonds;
    - $310.9 million of additional Subordinate Obligations; and
    - $216.7 million of previously issued Senior Bonds and Subordinate Obligations.

See "OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE – Future Financings" regarding the Department's future financing plans.

AIRPORT PLANNING

In order for the Department to plan to meet the projected needs for air transportation while balancing those needs with the concerns of airport area communities, the Department has undertaken an LAX Master Plan, an LAX Specific Plan and other community focused steps as part of its capital development for LAX.

LAX Master Plan

The "LAX Master Plan" is a conceptual strategic framework for future improvements at LAX and was adopted by the Board and approved by the City Council, together with the LAX Master Plan EIR, in 2004. Approval of the LAX Master Plan did not authorize construction or completion of any of the individual projects identified in the Master Plan, but rather provided a programmatic approval of the conceptual framework. Individual projects that implement a master plan are subject to additional environmental review and approvals prior to commencement of construction. In connection with its approval of the LAX Master Plan, the City Council amended the City's general plan to include a general plan component specific to LAX (the "LAX Plan.") As a component of the land use element of the City's General Plan, the LAX Plan establishes land use categories that are consistent with the goals and objectives for modernization of LAX and provides policies and programs that further these goals and objectives identified in the LAX Master Plan.

LAX Specific Plan

In 2004, the City Council adopted the LAX Specific Plan. Whereas the LAX Plan establishes a land use policy framework, the LAX Specific Plan is an ordinance that establishes zoning and development regulations consistent with the LAX Plan. It is a principal mechanism by which goals and objectives of the LAX Plan are achieved and the policies and programs are implemented. Pursuant to the LAX Specific Plan and a settlement of related litigation (the "Stipulated Settlement"), the Department initiated 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") for certain projects, including among others, the Ground Transportation Center, the Automated People Mover and associated improvements, structures, equipment, stations and related facilities and equipment (collectively, the "Yellow Light Projects"). The Stipulated Settlement requires the Department to, among other things, revisit the Yellow Light Projects and provide funding for certain noise and other mitigation projects.

The Department released a draft environmental impact report ("SPAS Draft EIR") and a Preliminary LAX Specific Plan Amendment Study Report ("SPAS Report"). The SPAS Draft EIR identified and evaluated nine alternatives, plus various combinations based upon the nine alternatives, for the Yellow Light Projects. The SPAS Report summarizes the concept-development process for the nine-plus alternatives, identifies potential amendments to the LAX Specific Plan that would be needed to implement any of the alternatives, and provides complementary analyses to the SPAS Draft EIR in the areas of security and financial sustainability. The SPAS Report contains order-of-magnitude costs of certain LAX base development projects for Fiscal Years 2012 through 2025 (comprised of certain terminal, airfield and apron and landside projects which the Department expects to undertake regardless of the alternative selected) of approximately $6.5 billion. The LAX base development projects may be subject to certain environmental reviews and other appeals prior to commencement of construction.

At the conclusion of the applicable public review and comment period for the SPAS Draft EIR, the Department prepared a SPAS environmental impact report (the "SPAS Final EIR"). Of the Alternative Projects presented in the SPAS Report and the SPAS Final EIR, Department management recommended a combination of certain airfield and terminal elements of one proposed alternative and the ground transportation elements of another proposed alternative (together, the "SPAS Staff-Recommended Alternative"). The order-of-magnitude costs for the

SPAS Staff Recommended Alternative is approximately \$4.8 billion (exclusive of LAX base development projects), including approximately \$2.3 billion of future bonds. The SPAS Staff-Recommended Alternative includes, among other things, the following elements:

North Airfield Elements ─ Construction of a centerline taxiway; movement of Runway 6L/24R 260 feet north; extension of Runway 6R/24L eastward; reconfiguration of Taxilane E and Taxilane D to service the full length of the north airfield; and relocation of Lincoln Boulevard northward to be compatible with the movement of Runway 6L/24R.

*Terminal Elements ─ C*onstruction of a new Terminal 0 east of Terminal 1 and west of Sepulveda Boulevard; concourse extension for the new TBIT and future Midfield Satellite Concourse to newly established aircraft parking limit line; partial demolition and gate reconfiguration of Terminal 1; redevelopment of Terminal 3; elimination of West remote gates; and total of 153 passenger gates.

Ground Transportation Elements – Maintain private vehicle access to the Central Terminal Area; modification of the Skyway roadway entrance to the Central Terminal Area; development of the Intermodal Transportation Facilities; development of parking east of Parking Lot C; development of the CONRAC and parking at Manchester Square; and development of the Automated People Mover along 98th Street, connecting LAX and Los Angeles County Metropolitan Transportation Authority's planned light rail line

On February 5, 2013, the Board adopted a resolution, which among other things, certified the SPAS Final EIR; adopted a SPAS mitigation, monitoring and reporting program (the "SPAS MMRP"); adopted the SPAS CEQA findings; adopted the SPAS Statement of Overriding Considerations; determined that the SPAS is complete; selected the SPAS Staff-Recommended Alternative, including recommended technical amendments to the City's General Plan, the LAX Plan and the LAX Specific Plan (collectively, the "SPAS Proposed Plan Amendments"), subject to future detailed planning, engineering and project-level environmental review; further adopted certain voluntary commitments associated with the SPAS Staff-Recommended Alternative; recommended that the City Planning Commission review and consider the SPAS Final EIR and the SPAS Proposed Plan Amendments; recommended that the City Council, among other things, affirm the Board's certification of the SPAS Final EIR, approve the SPAS Proposed Plan Amendments, adopt the SPAS MMRP, adopt the SPAS CEQA findings and SPAS Statement of Overriding Considerations, selected the Staff-Recommended Alternative as the best Alternative Project, subject to the further review described above and directed staff to file a Notice of Determination in connection with the SPAS Final EIR. Subsequently the City Planning Commission and the City Council adopted resolutions affirming the Board's recommendations, and the City Council also denied a CEQA Section 21151(c) appeal filed by the Alliance for a Regional Solution to Airport Congestion ("ARSAC") of the Board's February 5, 2013 certification of the SPAS Final EIR. On May 21, 2013, the City Council further adopted an ordinance amending the LAX Specific Plan as part of the SPAS Proposed Plan Amendments.

Approval of the SPAS Staff-Recommended Alternative by the City Council provides a starting point for further analysis from which the specific details of the proposed improvements would be further defined and evaluated in connection with current and future FAA standards and a basis to move forward with applicable further review.

LAX Master Plan Litigation Settlements

The Stipulated Settlement requires, in certain limited circumstances, gate reductions at LAX. However, if LAX does not have 75 million passengers annually or if the LAX Master Plan is substantially revised pursuant to a LAX Specific Plan Amendment process such that the total number of gates at LAX is reduced to 153 gates or less, then no reduction in gates is necessary. The Department reached agreement with the Lennox and Inglewood school districts to provide noise abatement improvements at specific schools within the two school districts, not to exceed \$111 million and \$118.5 million, respectively, subject to FAA approval. To date, the FAA has authorized the Department to collect approximately \$34.1 million and \$44.4 million, respectively, in PFCs for reimbursement of eligible expenditures related to the Lennox and Inglewood Unified School Districts' sound mitigation programs.

SPAS Litigation

On May 30, 2013, three petitions for writ of mandate were filed in Los Angeles Superior Court against the Department, the Board, the Executive Director of the Department, the City, the City Council and the Mayor (collectively, the "City SPAS Defendants") by (1) ARSAC, (2) the City of Inglewood, Culver City, the City of Ontario, the County of San Bernardino and (3) the SEIU United Service Workers West ("USWW"), alleging that the

City SPAS Defendants violated the CEQA in certifying a SPAS Final EIR and requesting the court to set aside all approvals based upon the SPAS Final EIR. The cases have been consolidated and transferred to the Ventura County Superior Court, and USWW has dismissed its lawsuit without prejudice. The City SPAS Defendants certified the administrative record in this case on June 12, 2015. The case is expected to be fully briefed by November 12, 2015 and a hearing has been set for January 11-13, 2016. The Department cannot predict the outcome of these lawsuits. In 2013, ARSAC also provided written notice to the Department of alleged defaults under the Stipulated Settlement. The Department has met and conferred with ARSAC to attempt to resolve the issues. The Department cannot predict the outcome of this dispute.

AIRPORT SYSTEM ENVIRONMENTAL MATTERS

Several significant environmental matters have direct and indirect impacts on the Department and LAX, some of which are described below. These include mitigation of aircraft noise impacts and wildlife hazards, hazardous substance cleanup and clean air requirements. In accordance with Department policy, generally the Department's tenant leases and/or applicable laws provide that tenants are responsible for the costs of remediation of hazardous or other regulated material from Department property and for compliance with applicable laws. However, if a tenant does not comply with these lease requirements and/or applicable laws, and under certain circumstances, the Department could ultimately become responsible for the costs of compliance and/or required environmental cleanup. The timing and aggregate costs of such cleanups cannot be determined at this time, but could be material.

Aircraft Noise Impacts

In the State, commercial airports operate under operating permits issued by the California Department of Transportation ("Caltrans"). Airports within the State are regulated under the State of California Aeronautics Act. The State does not regulate noise generation from aircraft. However, State regulations, commonly known as Title 21, require an airport proprietor that operates an airport with a noise impact area that exceeds specified airport noise standards to apply for and receive a variance. In order to obtain a variance, among other requirements, the airport proprietor must submit a plan showing how the airport expects to work toward compliance with the noise standards.

Compliance measures include sound insulation of incompatible structures to reduce the interior noise levels to acceptable levels, acquisition of incompatible properties located within the noise impact areas and the purchase of noise easements from affected property owners. LAX was granted a three-year noise variance effective February 13, 2011. Since the Department timely submitted an application for a new variance, it continues to operate under the existing variance until Caltrans acts on the Department's application.

The Department has a Noise Mitigation Program funding policy at LAX, which provides funding for both land acquisition, residential sound insulation programs, and school sound insulation programs. The goal of these programs is to reduce the number of residences in areas impacted by noise from airport operations through voluntary acquisition of properties and relocation assistance for certain residential neighbors near LAX and acoustic treatment and air conditioning or positive ventilation system improvements to certain other residential dwelling units and targeted school districts. Acoustic treatment generally includes replacing doors and windows, modifying wood frame walls as needed, adding insulation to attics, fitting chimneys and vents with dampers and/or acoustic louvers and updating.

The FAA has approved the collection and use of PFC revenues in the amount of approximately \$785 million for the residential Noise Mitigation Program, in the amount of approximately \$34.1 million for reimbursement of eligible expenditures related to the Lennox Schools' and in the amount of approximately \$44.4 million for Inglewood Unified School District's sound insulation programs. See "AIRPORT PLANNING – LAX Master Plan Litigation Settlements." As of June 30, 2014, the Department has expended approximately \$656.5 million of PFC revenues in connection with the residential Noise Mitigation Program and for reimbursement of eligible expenditures related to the Lennox Schools' sound mitigation program. See "CERTAIN FUNDING SOURCES – Passenger Facility Charges" and "CAPITAL PLANNING – Capital Financing."

The Department maintains a Noise Management Section within the Environmental and Land Use Planning Division which operates the Department's noise monitoring system and prepares and submits periodic reports to Caltrans as required under applicable law.

Hazardous Substances

Airport operations involve the storage and use of a number of materials that are defined as hazardous under various federal, state, and local regulations. Petroleum products, predominantly jet fuel, comprise the majority of hazardous materials used at Department facilities. The majority of these materials are used by the Department's tenants in the normal course of their operations. However, the Department's own operations also include the storage and use of certain hazardous substances. Several federal, City and State agencies also exercise responsibility related to the accidental discharge of hazardous materials.

The Department has an Environmental and Land Use Planning Division tasked with performing soil and groundwater investigations, site remediation monitoring, storm water pollution prevention, Endangered Species Act compliance, wildlife hazard mitigation programs, air quality compliance and managing other environmental compliance programs and projects. The Environmental and Land Use Planning Division also monitors underground and above-ground storage tanks and hazardous substances, and performs the mandated regulatory reporting on these programs. In the course of such investigations and monitoring, the Department may discover previously unknown contamination. No assurance can be given that the remediation costs for any such contamination will not be material.

The Department conducts annual inspections of tenant and Department operations, regarding compliance with the Department's National Pollutant Discharge Elimination System Storm Water Permit for Industrial Facilities (the "Storm Water Discharge Permit"), issued by the State Water Resources Control Board ("SWRCB"). These inspections seek to confirm compliance with the Storm Water Discharge Permit and are inclusive of hazardous material storage and handling practices for all operations at LAX. The Department is also subject to regulation under the Construction Storm Water Permit, the Municipal Separate Storm Sewer System (MS4) Permit, storm water City ordinances, and Industrial Waste Permits for certain sewer discharges. The Department maintains records of all known areas where hazardous materials have been accidentally discharged. The Department works cooperatively with the relevant regulatory agencies to confirm that the responsible tenants are remediating contamination caused by their operations. There are, currently, two major remediation programs in place at LAX. One program involves the release of jet fuel to ground water underlying LAX. The tenant at the time of the release, Continental Airlines (now merged with and into United Airlines), has accepted responsibility for the remediation and active remediation systems are in place at the direction of the SWRCB. Other investigations and assessments are being performed by the Department related to fueling assets acquired from bankruptcy of tenants or other means where petroleum may have been released.

The Park One Property is also environmentally impacted and the subject of the second major remediation project. From approximately 1941 to 1988, the Park One Property was used for aerospace manufacturing, and included the use of chlorinated solvents. As a result, the soil and groundwater were impacted, including with volatile organic compounds and 1,4-dioxane. The Los Angeles Regional Water Quality Control Board (the "RWQCB") is currently providing regulatory oversight of investigation and remediation of this contamination. In or about 1991, soil remediation activities were conducted on most of the Park One Property. In 1993, the RWQCB issued a letter stating that contaminated soils in all areas covered by site investigations except the northwest quadrant had been adequately addressed. Currently, the remediation plan for the remaining portion, approximately the northwest quadrant, is being reconsidered by the RWQCB. As part of the acquisition transaction for the Park One Property, the Department became the assignee under an Indemnity Agreement entered into by Allied-Signal, Inc. (now known as Honeywell International, Inc. ("Honeywell")) which covers, among other things, certain indemnification for soil and groundwater contamination. Since 1991 and through the present, Honeywell has been investigating the groundwater contamination at the Park One Property. The Department expects Honeywell to continue its remediation of the soil contamination and investigation of the groundwater contamination and to design and implement requisite groundwater clean-up work.

The Department is in a dispute with the Los Angeles County Sanitation District No. 20 ("LACSD 20") regarding a nitrate plume in the groundwater underlying the Department's and LACSD 20's property in Palmdale, which contamination allegedly was caused by the discharge of effluent from the LACSD 20's Palmdale Water Reclamation Plant ("Palmdale WRP"). The Lahontan Regional Water Quality Control Board ("LRWQCB") has issued a Cleanup and Abatement Order in 2003 and subsequently in 2012 issued an Investigative Order to LACSD 20 and the Department. Required reporting to the LRWQCB include technical reports for discharge from the Palmdale WRP and other reports including, among other items, a report addressing feasibility and costs to remove nitrate from water to more stringent levels of 3 mg/l or less, which if required could substantially increase the overall remediation costs. The full extent of the remediation actions that the LACSD 20 and the Department may have to take with respect to the groundwater and the costs that may be incurred or contributions that will ultimately need to be made by the Department, however, cannot be determined at this time. No assurance can be given that such costs will not be material. Currently, and from time to time, there are smaller remediation projects in place at LAX.

On December 14, 2011, the SWRCB issued the Department a Notice of Violation ("Notice"), generally alleging violations of underground storage tank construction, monitoring and testing laws and regulations at facilities where the Department owns and/or operates underground storage tanks. Upon the approval of the Board's action becoming final pursuant to the City Charter, the Board has approved the terms of a Consent Judgment settlement to resolve the matter. The Consent Judgment will provide that the Department will pay up to $2.3 million, without any admission of liability. The settlement terms include payment of $1.2 million within thirty days following entry of the final Consent Judgment. $1.1 million of such stipulated settlement amount shall be suspended on condition that the Department complies with the terms of the Consent Judgment and undertakes enhanced compliance actions.

Emission Standards

Air emissions associated with airport activities are governed by a number of federal, State and local regulations. Most notable of these are federal Clean Air Act (the "FCAA") and the California Clean Air Act (the "CCAA"), AB 32, and various SCAQMD rules and regulations. LAX-owned stationary equipment that produces or controls emissions currently operate under a Title V operating permit issued by the SCAQMD.

The LAX Master Plan includes various mitigation measures designed to reduce emissions from airport operations at LAX, including, among other measures: provisions for all airline and tenant ground service equipment to meet zero or extremely low emission goals; providing electricity and preconditioned air at all passenger loading gates, allowing aircraft to shut off their auxiliary power units; installing ground power at all cargo operations areas, allowing cargo and maintenance operations to shut off their auxiliary power units; electrification of LAX hangars; conversion of all airport shuttles and vans to alternative fuel vehicles and reducing construction emissions through the use of low polluting construction equipment and exhaust emission controls.

As part of the environmental impact report prepared under CEQA for the LAX Master Plan, the Department conducted an extensive air quality analysis and adopted numerous mitigation measures designed to reduce the air quality impacts associated with implementation of the LAX Master Plan. In addition, for each project undertaken as part of the LAX Master Plan implementation, the Department must disclose project level air quality environmental impacts under a project specific CEQA study.

AB 32 specifically regulates the release of certain GHG emissions from stationary sources within the State. The Mandatory Reporting requirement under AB 32 requires facilities that generate greater than 10,000 MtCO2e per year to report their GHG emissions. The Department owns and operates a cogeneration plant at LAX along with other stationary sources in the facility (e.g., natural gas boilers and heaters). This facility complies in all material respects with all requirements under AB 32. In addition to the AB 32 Mandatory Reporting requirement, the Department must also report its GHG emissions to the United States Environmental Protection Agency. Since 2011, the Department has reported its GHG emissions from these sources in substantial compliance with applicable requirements. The State Attorney General's Office has been using CEQA aggressively to apply the provisions of AB 32 to local and regional plans as well as to projects. As a result, project level CEQA analysis prepared for LAX Master Plan-related projects must include an analysis of the project's potential GHG emissions and impacts. Since January 2013, facilities such as LAX that are subject to the Mandatory Reporting requirement under AB 32 are required to comply with the California Cap-and-Trade Program applicable to certain sources of GHG emissions in the State such as refineries, power plants, industrial facilities and transportation fuels. The California Cap-and-Trade Program includes an enforceable GHG cap that will decline over time. Under the California Cap-and-Trade Program, CARB distributes GHG allowances, which are tradable permits, equal to the emission allowed under the cap. The Department is required to obtain emission allowances for annual emissions at LAX. These emission allowances can be obtained by way of free allocation from CARB, through purchase from the secondary market and CARB auction, and reserve sale. The cost to the Department of obtaining required emissions allowances is dependent on the actual emissions generated at LAX and the price fluctuations through the course of the program, and are expected to be recouped through landing fees at LAX and or LAX terminal rates and charges, as applicable. The impact and consequences of not meeting an annual compliance obligation can include enforcement actions and penalties equivalent to four times the facilities' excess emissions. Various industries throughout the State may seek to purchase emission allowances in order to comply with the Cap-and-Trade Program, which may cause the price of allowances to increase. The emission allowance price has averaged approximately \$15 per MtCO2e since January 2013. LAX emits on average approximately 47,000 MtCO2e annually. The Department's purchase of allowances may vary and no assurance can be given that such costs will not be material.

The SCAQMD imposes rules and regulations specifically targeted to various air pollutants and types of operations such as hydrant fueling, private vehicle fueling, power generators, boilers and the use of various volatile organic chemical containing materials. The LAX Central Utilities Plant is a co-generation plant providing electricity and cooling/heating to the Central Terminal Area. As a power generating plant, the SCAQMD requires continuous emissions monitoring and stringent environmental oversight. The Department Environmental and Land Use Planning Division includes an Air Quality Section with four full-time professional staff assigned to maintain compliance with the various rules and regulations.

See also "CERTAIN INVESTMENT CONSIDERATIONS – Regulations and Restrictions Affecting LAX," "LITIGATION REGARDING THE AIRPORT SYSTEM AND THE DEPARTMENT."

Environmental Review Process

In certifying the LAX Master Plan Program EIR, a mitigation monitoring and reporting program (the "MMRP") was adopted to mitigate the environmental impacts associated with the LAX Master Plan. All LAX Master Plan Projects are required to incorporate the applicable mitigation measures of the MMRP. See "AIRPORT PLANNING" regarding the LAX Master Plan Program EIR, LAX Specific Plan, the Stipulated Settlement and SPAS.

As is described in further detail above under "AIRPORT PLANNING," the Department entered into the Stipulated Settlement. The Stipulated Settlement removed potential litigation obstacles to allow the Department to proceed with a series of projects in the LAX Master Plan for which a SPAS is not required, while the Department undertook a SPAS. These obstacles include all subsequent Department, Board and/or City Council approvals for all entitlements and other actions for any of the specific project components that implement the LAX Master Plan and that are not Yellow Light Projects. The LAX Master Plan State environmental review and approval was programmatic. Therefore, all site-specific projects that implement the LAX Master Plan are potentially subject to project level environmental review.

Where required, project level environmental reviews are complete for the Series 2015DE Senior Bonds Projects and most Other Committed and Planned Projects. Project level environmental reviews have commenced for the Terminal 1.5 Project and the Terminal 3 Connector Project, both Other Committed and Planned Projects, but remain outstanding.

LITIGATION REGARDING THE AIRPORT SYSTEM AND THE DEPARTMENT

General

From time to time, the Department is a party to litigation and is subject to claims arising out of its normal course of business and operations. At this time, there is no pending litigation relating to the Airport System or the Department's operations or business pertaining thereto that would reasonably be expected to have a material impact on Net Pledged Revenues or the operation of LAX, except as described under "THE DEPARTMENT OF AIRPORTS – Subsidization within the Airport System," "USE OF AIRPORT FACILITIES," "AIRPORT PLANNING," "AIRPORT SYSTEM ENVIRONMENTAL MATTERS" and below.

Derivatives Litigation

On July 23, 2008, the City filed a complaint in the Superior Court for the County of Los Angeles, California, Case Number BC394944, which named a number of defendants, including, among others, Citigroup, Inc., Citi, J.P. Morgan Chase & Co. and UBS AG. The complaint alleges that the defendants manipulated the municipal derivatives market by various means to decrease the returns the City earned on guaranteed investment contracts and municipal derivative instruments. The complaint was removed to federal district court in the Central District of California on August 25, 2008 and subsequently consolidated for pre-trial coordination with other related actions in the Multi-District Litigation proceeding pending in the Southern District of New York, Master Docket Number 08-CV-02516 (VM). The City filed a first amended complaint on September 15, 2009, which added a number of defendants, including Citibank, N.A., Citigroup Global Markets Holdings Inc., Citigroup Financial

Products Inc., JPMS, UBS Financial Services, Inc. and UBS Securities, LLC. On June 24, 2010 and April 11, 2011 respectively, the City filed second and third amended complaints that added additional parties as defendants.

On December 10, 2009, the Department filed a complaint in the United States District Court, Central District of California, Case Number 09-CV-9069 (GW)(VBKx), which named a number of defendants, including Citibank, N.A., Citigroup Financial Products Inc., Citigroup Global Markets Holdings Inc., JPMorgan Chase & Co., JPMS, UBSFS, UBS AG, and UBS Securities, LLC. On January 27, 2010, the Department's action was transferred for pre-trial coordination with the City's action and other related actions in the Multi-District Litigation proceeding pending in the Southern District of New York. The complaint alleges that the defendants manipulated the municipal derivatives market by various means to decrease the returns the Department earned on guaranteed investment contracts and municipal derivative instruments. The Department filed a first amended complaint on May 10, 2010 and a second amended complaint on April 11, 2011.

On December 27, 2011, December 14, 2012, February 19, 2013 and June 6, 2014 the court presiding over the Multi-District Litigation proceeding granted final approval of several partial class settlements.

Citi, a Series 2015DE Underwriter, has informed the Department that it has entered into a retail distribution agreement with UBSFS which is a defendant in the above-referenced lawsuits, and that pursuant to this distribution agreement, Citi may distribute municipal securities to retail investors through the financial advisor network of UBSFS. As part of this arrangement, Citi may compensate UBSFS for its selling efforts with respect to the Series 2015DE Senior Bonds. See "UNDERWRITING." Neither the Department nor the Series 2015DE Underwriters can predict the outcome of these lawsuits.

Runway 25L Construction Litigation

On October 10, 2013, the Department filed a complaint in the Superior Court of California, County of Los Angeles, against Tutor-Saliba Corporation/O&G Industries, Inc., JV, a California joint venture enterprise; R&L Brosamer; HNTB Corporation; and CH2M Hill, Inc. for, among other things, breach of contract, negligence and breach of warranties related to recently constructed portions of Runway 25L, the centerline taxiway and other airfield improvements. The complaint alleges that, among other things, certain of the defendants were negligent in their construction methods and have caused and will cause the Department property damage and economic losses. The amount of damages has not been specified at this time but could be material. The cost of temporary repairs was approximately \$4.0 million. The Board has approved a settlement with HNTB Corporation. The Department cannot predict the outcome of this lawsuit.

LA/ONT Litigation

On June 3, 2013 the City of Ontario filed a complaint against the City, seeking, among other things, (i) damages for the alleged breach of contract, breach of implied covenant of good faith and fair dealing, and breach of fiduciary duty, in connection with the Department's operation and management of LA/ONT; and (ii) to rescind or reform the agreements under which the Department obtained ownership and control of LA/ONT from the City of Ontario (the "Ontario Litigation"). The trial court has dismissed the City of Ontario's rescission and reformation claims, but reserved the City of Ontario's damages claims for trial. As of the date hereof, no trial date in the Ontario Litigation is set. On July 30, 2015, the Mayors of the City and the City of Ontario executed a letter containing a statement of their mutual intent to establish a process in which, subject to negotiation, execution and receipt of all necessary approvals, ownership of ONT and certain adjacent lands would be transferred from the City to the City of Ontario, enabling ONT to be operated by a joint powers authority of the County of San Bernardino and the City of Ontario called the Ontario International Airport Authority ("OIAA"). That letter included a Settlement Term Sheet containing an outline of various proposed terms including, among other things, payments to or for the benefit of the Department. Upon completion of settlement negotiations, a definitive settlement agreement may be submitted for initial required approvals at any time, before or after the date of this Official Statement. The settlement and the culmination of the transactions contemplated thereby are subject to the approval of, among others, the Board, the City Council, the City Council of the City of Ontario, OIAA, the FAA and the court. No assurance can be given (i) that settlement reached by the parties to the Ontario Litigation or any transactions contemplated by any such settlement will be concluded or approved as described above, (ii) that if such a settlement is not approved, whether the Ontario Litigation will continue, (iii) that if the Ontario Litigation continues, the outcome of the Ontario Litigation on the Department would not be material.

LITIGATION REGARDING THE SERIES 2015DE SENIOR BONDS

There is no litigation now pending or, to the best of the Department's knowledge, threatened which seeks to restrain or enjoin the sale, execution, issuance or delivery of the Series 2015DE Senior Bonds or in any way contests the validity of the Series 2015DE Senior Bonds or any proceedings of the Board taken with respect to the authorization, sale or issuance of the Series 2015DE Senior Bonds, or the pledge or application of any moneys provided for the payment of or security for the Series 2015DE Senior Bonds.

TAX MATTERS

General

In the opinion of Kutak Rock LLP, Bond Counsel to the Department, under existing laws, regulations, rulings and judicial decisions, interest on the Series 2015DE Senior Bonds is excluded from gross income for federal income tax purposes, except for interest on any Series 2015D Senior Bond for any period during which such Series 2015D Senior Bond is held by a "substantial user" of the facilities financed or refinanced by the Series 2015D Senior Bonds or by a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code"). Bond Counsel is further of the opinion that (a) interest on the Series 2015D Senior Bonds is a specific preference item for purposes of the federal alternative minimum tax, and (b) interest on the Series 2015E Senior Bonds is not a specific preference item for purposes of the federal alternative minimum tax. The opinions described in the preceding sentences assume the accuracy of certain representations and compliance by the Department with covenants designed to satisfy the requirements of the Code that must be met subsequent to the issuance of the Series 2015DE Senior Bonds. Failure to comply with such requirements could cause interest on the Series 2015DE Senior Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2015DE Senior Bonds. The Department will covenant to comply with such requirements. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Series 2015DE Senior Bonds.

Notwithstanding Bond Counsel's opinion that interest on the Series 2015E Senior Bonds is not a specific preference item for purposes of the federal alternative minimum tax, such interest will be included in adjusted current earnings of certain corporations, and such corporations are required to include in the calculation of federal alternative minimum taxable income 75% of the excess of such corporations' adjusted current earnings over their federal alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses).

Bond Counsel is further of the opinion that interest on the Series 2015DE Senior Bonds is exempt from present State of California personal income taxes.

Special Considerations With Respect to the Series 2015DE Senior Bonds

The accrual or receipt of interest on the Series 2015DE Senior Bonds may otherwise affect the federal income tax liability of the owners of the Series 2015DE Senior Bonds. The extent of these other tax consequences will depend upon such owner's particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Series 2015DE Senior Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers otherwise entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Series 2015DE Senior Bonds.

Backup Withholding

As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Series 2015DE Senior Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments made to any bondholder who fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The reporting requirement does not in and of itself affect or alter the excludability of interest on the Series 2015DE Senior Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the Congress and in the various state legislatures that, if enacted, could alter or amend federal and state tax matters referred to above or adversely affect the market value of the Series 2015DE Senior Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment.

In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Series 2015DE Senior Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series 2015DE Senior Bonds or the market value thereof would be impacted thereby. Purchasers of the Series 2015DE Senior Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series 2015DE Senior Bonds and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

Tax Treatment of Original Issue Premium

The Series 2015DE Senior Bonds are being sold at a premium. An amount equal to the excess of the issue price of a Series 2015DE Senior Bond over its stated redemption price at maturity constitutes premium on such Series 2015DE Senior Bond. An initial purchaser of a Series 2015DE Senior Bond must amortize any premium over such Series 2015DE Senior Bond's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Series 2015DE Senior Bonds callable prior to their maturity, by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to the call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period and the purchaser's basis in such Series 2015DE Senior Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Series 2015DE Senior Bond prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Series 2015DE Senior Bonds should consult with their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Series 2015DE Senior Bond.

RATINGS

S&P, Moody's and Fitch, have assigned ratings of "AA," "Aa3" and "AA," respectively, to the Series 2015DE Senior Bonds. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings, including any outlook thereon, should be obtained from the rating agency furnishing the same, at the following addresses: S&P, 55 Water Street, 38th Floor, New York, New York 10041; Moody's, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007 and Fitch, One State Street Plaza, New York, New York 10004. The Department furnished the rating agencies with certain information and materials concerning the Series 2015DE Senior Bonds and the Department, some of which is not included in this Official Statement. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2015DE Senior Bonds.

LEGAL MATTERS

The validity of the Series 2015DE Senior Bonds and certain other legal matters are subject to the approving opinion of Kutak Rock LLP, Bond Counsel to the Department. A complete copy of the proposed form of Bond Counsel's opinion is contained in APPENDIX D hereto. Polsinelli LLP serves as Disclosure Counsel to the Department. Bond Counsel and Disclosure Counsel undertake no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain matters will be passed upon for the Department and the City by Michael N. Feuer, Esq., City Attorney. Certain matters will be passed upon for the Underwriters by their counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation.

FINANCIAL ADVISORS

The Department has retained the services of Public Resources Advisory Group of Los Angeles, California, Public Financial Management, Inc. of San Francisco, California and Backstrom McCarley Berry & Co., LLC of San Francisco, California, as Co-Financial Advisors in connection with the authorization and delivery of the Series 2015DE Senior Bonds. The Co-Financial Advisors are not obligated to undertake, and have not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. The Co-Financial Advisors perform other services for the Department.

AIRPORT CONSULTANT

The Report of the Airport Consultant prepared by LeighFisher has been included as APPENDIX A to this Official Statement with the consent of such consultants. The Report of the Airport Consultant was prepared in conjunction with the issuance of the Series 2015DE Senior Bonds. The Department has relied upon the analyses and conclusions contained in the Report of the Airport Consultant, as of its date, in preparing this Official Statement. The financial forecasts in the Report of the Airport Consultant are based upon certain information and assumptions that were provided by, or reviewed and agreed to by the Department. In the opinion of the Airport Consultant, these assumptions provide a reasonable basis for the financial forecasts set forth in the Report of the Airport Consultant. LeighFisher performs other services for the Department, including with respect to the calculation of rates and charges.

FINANCIAL STATEMENTS

The audited financial statements of the Department for Fiscal Years 2015 and 2014 are included as part of APPENDIX B attached hereto. The financial statements referred to in the preceding sentence have been audited by Macias, Gini & O'Connell LLP, independent auditors, as stated in its Independent Auditor's Report included in APPENDIX B. Macias, Gini & O'Connell LLP was not requested to consent to the inclusion of its report in APPENDIX B and it has not undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement (including the Report of the Airport Consultant), and no opinion is expressed by Macias, Gini and O'Connell LLP with respect to any event subsequent to the date of its report.

CONTINUING DISCLOSURE

In connection with the issuance of the Series 2015DE Senior Bonds, the Department will covenant to provide, or cause to be provided, to the MSRB certain annual financial information and operating data relating to the Department and, in a timely manner, notice of certain listed events for purposes of Rule 15c2-12 adopted by the SEC. See APPENDIX F – "FORM OF CONTINUING DISCLOSURE CERTIFICATE." The Department has agreed to provide the foregoing information to MSRB through the Electronic Municipal Market Access (EMMA) website.

UNDERWRITING

The Series 2015DE Senior Bonds are being purchased from the Department by Siebert Brandford Shank & Co., L.L.C ("SBS"), on its own behalf and on behalf of Citigroup Global Markets Inc. ("Citi"), J.P. Morgan Securities LLC ("JPMS"), Samuel A. Ramirez & Company, Inc. and Stifel, Nicolaus & Company, Incorporated, the underwriters of the Series 2015DE Senior Bonds (collectively, the "Series 2015DE Underwriters"), at a price of $368,475,287.12 (consisting of the aggregate principal amount of $324,325,000.00, plus an original issue premium of $45,294,474.95 and less an underwriters' discount of $1,144,187.83) all subject to the terms of a Bond Purchase

Agreement between the Department and the Series 2015DE Underwriters (the “Series 2015DE Purchase Agreement”).

The Series 2015DE Purchase Agreement provides that the Series 2015DE Underwriters shall purchase all of the Series 2015DE Senior Bonds if any are purchased, and that the obligation to make such purchase is subject to certain terms and conditions set forth in the Series 2015DE Purchase Agreement, the approval of certain legal matters by counsel, and certain other conditions. The Series 2015DE Underwriters may change the initial public offering yields set forth on the inside front cover hereof. The Series 2015DE Underwriters may offer and sell the Series 2015DE Senior Bonds to certain dealers (including dealers depositing the applicable Series 2015DE Senior Bonds into investment trusts) at prices lower than the public offering prices or at yields higher than the yields stated on the inside front cover hereof.

The following two paragraphs have been provided by the Series 2015DE Underwriters for inclusion in this Official Statement and the Department does not make any representation as to their accuracy or completeness.

Certain of the Series 2015DE Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which for certain of the Series 2015DE Underwriters may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Series 2015DE Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the Department, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Series 2015DE Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Department. The market activities of the Series 2015DE Underwriters and other market participants may impact the value of the Series 2015DE Senior Bonds.

The following paragraph has been provided by SBS for inclusion in this Official Statement and the Department does not make any representation as to its accuracy or completeness.

SBS, a Series 2015DE Underwriter, has entered into separate agreements with Muriel Siebert & Co., and Credit Suisse Securities (USA) for the retail distribution of certain securities offerings, at the original issue prices. Pursuant to these distribution agreements, if applicable to the Series 2015DE Senior Bonds, Muriel Siebert & Co. or Credit Suisse Securities (USA), as the case may be, will purchase Series 2015DE Senior Bonds at the original issue price less the selling concession with respect to any Series 2015DE Senior Bonds that Muriel Siebert & Co. or Credit Suisse Securities (USA), as applicable, sells. SBS will share a portion of its underwriting compensation with Muriel Siebert & Co. and/or Credit Suisse Securities (USA).

The following paragraph has been provided by Citi for inclusion in this Official Statement and the Department does not make any representation as to its accuracy or completeness.

Citi, a Series 2015DE Underwriter, has entered into a retail distribution agreement with each of TMC Bonds L.L.C. (“TMC”) and UBS Financial Services Inc. (“UBSFS”). Under these distribution agreements, Citi may distribute municipal securities to retail investors through the financial advisor network of UBSFS and the electronic primary offering platform of TMC. As part of this arrangement, Citi may compensate TMC (and TMC may compensate its electronic platform member firms) and UBSFS for their selling efforts with respect to the Series 2015DE Senior Bonds.

The following paragraph has been provided by JPMS for inclusion in this Official Statement and the Department does not make any representation as to its accuracy or completeness.

JPMS, a Series 2015DE Underwriter, has entered into negotiated dealer agreements (each, a “Dealer Agreement”) with each of Charles Schwab & Co., Inc. (“CS&Co.”) and LPL Financial LLC (“LPL”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase Series 2015DE Senior Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series 2015DE Senior Bonds that such firm sells.

MISCELLANEOUS

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not expressly stated, are set forth as such and not representations of fact. No representation is made that any of such opinions or estimates will be realized.

All references to the Charter, the Senior Indenture, agreements with any other parties and laws and regulations herein and in the Appendices hereto are made subject to the detailed provisions of such documents, and reference is made to such documents and agreements for full and complete statements of the contents thereof. Copies of such documents are available for review at the offices of the Department which are located at One World Way, Los Angeles, California. This Official Statement is not to be construed as a contract or agreement between the City or the Department and the owners of any of the Series 2015DE Senior Bonds.

AUTHORIZATION

The Board has authorized the distribution of this Official Statement. This Official Statement has been duly executed and delivered by the Executive Director on behalf of the Department.

DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES, CALIFORNIA

By: /s/ Deborah Flint
Executive Director

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APPENDIX A

REPORT OF THE AIRPORT CONSULTANT

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Appendix A

REPORT OF THE AIRPORT CONSULTANT

on the proposed issuance of

LOS ANGELES INTERNATIONAL AIRPORT
SENIOR REVENUE BONDS
2015 Series D (AMT) and 2015 Series E (Non-AMT)

Prepared for

Department of Airports
of the City of Los Angeles, California

Prepared by

LeighFisher
Burlingame, California

October 27, 2015

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Leigh|Fisher

October 27, 2015

Mr. Sean O. Burton, President
Board of Airport Commissioners
Los Angeles World Airports
1 World Way
Los Angeles, California 90045

Re: Report of the Airport Consultant
Los Angeles International Airport
Senior Revenue Bonds, 2015 Series D (AMT) and 2015 Series E (Non-AMT)

Dear Mr. Burton:

We are pleased to submit this Report of the Airport Consultant (the Report) on certain aspects of the proposed issuance of Los Angeles International Airport Senior Revenue Bonds, 2015 Series D (AMT) and 2015 Series E (Non-AMT) (collectively, the Series 2015DE Senior Bonds), by the Department of Airports of the City of Los Angeles (the Department). This letter and the accompanying attachment and exhibits constitute the Report.

Our study was undertaken to evaluate the ability of the Department to generate sufficient Net Pledged Revenues to meet the requirements of the Senior Indenture and the Subordinate Indenture (further described later in the Report), considering annual debt service on currently outstanding debt, the proposed Series 2015DE Senior Bonds, and future senior and subordinate bonds expected to be issued through fiscal year (FY)* 2021 to partially finance capital improvements at Los Angeles International Airport (the Airport or LAX). The forecast period for this Report extends through FY 2021.

The City of Los Angeles (the City) owns and operates the Airport through the Department as a financially self-sufficient enterprise. Located approximately 15 miles southwest of downtown Los Angeles, the Airport is the largest serving the Los Angeles metropolitan area. In the five years between FY 2010 and FY 2015, enplaned passengers at the Airport increased from 29.0 million to 36.1 million, a compound annual growth rate of 4.5%.

THE CAPITAL PROGRAM

Department management periodically develops and updates a Capital Program for the redevelopment, improvement, and expansion of Airport facilities. The Capital Program is developed based on anticipated facility needs, current and expected future airline traffic, available funding sources, and project priority.

For purposes of this Report, the current Capital Program for LAX is grouped in the following manner:

- ***Series 2015DE Senior Bond Projects:*** Projects partially funded with proceeds of the Series 2015DE Senior Bonds. Costs for the Series 2015DE Senior Bond Projects total

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*The City's FY ends June 30.

$2.1 billion ($312.9 million of which is expected to be funded with net Series 2015DE Senior Bond proceeds), with completion of these projects expected by June 30, 2019.

- ***Other Committed and Planned Projects:*** Other projects in the Capital Program either currently underway or relatively certain in terms of their scope, cost, and timing of implementation. Some projects in this category have yet to receive all necessary approvals to proceed (including planning, environmental, and Board of Airport Commissioners approvals). Costs for projects in this category total $3.7 billion, with the major project elements expected to be completed by FY 2021.

- ***Preliminary Stage Projects:*** Projects that are needed in the long term for the effective operation of the Airport, but the specifics of whose scope, cost, implementation timing, and funding sources are yet to be determined. The single largest component of this project category is the Landside Access Modernization Program (LAMP)—a series of projects related to landside access to the Airport, including an automated people mover, a consolidated rental car facility, and an intermodal transportation facility. Total costs of projects in this category are currently estimated to be in the range of $4.5 billion to $5.5 billion (including approximately $1 billion for the consolidated rental car facility), with a preliminary implementation schedule of FY 2017 to FY 2023.

The financial analysis in this Report reflects the impact on revenues, maintenance and operation expenses, bond issuance, and debt service of the Series 2015DE Senior Bond Projects and the Other Committed and Planned Projects. Because of their preliminary nature, revenues, maintenance and operation expenses, bond issuance, and debt service associated with the Preliminary Stage Projects are not reflected in the financial analysis described in Section 5 of this Report.

Although the scope and timing of implementation of certain projects are subject to refinement, Department management intends to implement the Capital Program using a modular and phased approach, so that future projects (or project phases) can be deferred if unanticipated events occur (such as lower than anticipated growth or declines in aviation activity at the Airport).

The Capital Program is described in detail in Section 4 of this Report and includes the following projects (with estimated total costs in parentheses), among other projects:

- ***Terminal improvements, renovations, and acquisitions:*** Improvements and upgrades to terminal facilities throughout the Airport, as well as the acquisition of facilities upgraded by airline and concession tenants ($4.3 billion).

- ***Bradley West completion:*** Interior enhancements, apron work, and baggage system improvements associated with the completion of the Bradley West terminal ($371 million).

- ***Airfield and apron improvements:*** Miscellaneous airfield and apron improvements, including the construction of Taxilane T and runway safety area improvements ($447 million).

- ***Noise mitigation and soundproofing:*** Soundproofing residences in areas adjoining the Airport ($356 million).

- ***Parking, roadway, and access projects:*** Work on the second level roadway around the Central Terminal Area (CTA) at the Airport and other miscellaneous parking and roadway improvements ($141 million).

- ***Utilities, infrastructure, information technology, and other miscellaneous projects:*** Construction of maintenance facilities, implementation of information technology improvements, and allowances for the major maintenance and rehabilitation of current Airport facilities, as well as other miscellaneous improvements ($168 million).

In addition to the Series 2015DE Senior Bonds, the Department expects to issue additional senior lien and subordinate lien bonds (as explained more fully later in the Report) to fund approximately $2.3 billion of capital costs associated with the Series 2015DE Senior Bond Projects and the Other Committed and Planned Projects from FY 2016 to FY 2021.

If the preliminary costs and project implementation schedule for the Preliminary Stage Projects are adhered to, the Department expects to issue additional bonds during the forecast period and thereafter to fund costs related to these projects. These additional bond issues for the Preliminary Stage Projects would be in addition to those described in this Report, and are not reflected in the financial forecasts included in this Report.

THE SERIES 2015DE SENIOR BONDS

The Department intends to issue the Series 2015DE Senior Bonds to:

- Finance a portion of the Series 2015DE Senior Bond Projects

- Make a deposit to the Senior Bond reserve fund

- Fund capitalized interest on the Series 2015DE Senior Bonds, and

- Pay issuance and financing costs associated with the Series 2015DE Senior Bonds

The Series 2015DE Senior Bond Projects include:

- ***Bradley West completion:*** The redevelopment, reconfiguration, or demolition of building areas in the original Tom Bradley International Terminal (TBIT) building constructed in 1984 ($35.9 million of net Series 2015DE Senior Bond proceeds).

- ***Second level roadway and new face of the CTA:*** Traffic safety and roadway improvements to the second level roadway in the CTA, and enhancements to terminal frontage for several terminals ($30.0 million of net Series 2015DE Senior Bond proceeds).

- ***Terminal improvements acquisition from airlines:*** Acquisition by the Department of terminal area improvements undertaken and funded by airline tenants in Terminals 1, 5, 6, 7, and 8 ($139.0 million of net Series 2015DE Senior Bond proceeds).

- ***Terminal improvements acquisition from concession manager:*** Acquisition by the Department of terminal area improvements undertaken and funded by the terminal concession developer and manager in Terminals 1, 2, 3, 6, and TBIT ($76.4 million of net Series 2015DE Senior Bond proceeds).

- ***Terminal improvements in Terminal 2:*** The redevelopment of sections of Terminal 2, undertaken and funded by the Department ($31.6 million of net Series 2015DE Senior Bond proceeds).

THE SENIOR INDENTURE*

The Series 2015DE Senior Bonds are being issued pursuant to the terms and conditions of the Master Trust Indenture dated as of April 1, 1995, by and between the Department, acting through the Board of Airport Commissioners of the City and The Bank of New York Mellon Trust Company, N.A., as trustee (the Senior Trustee), as amended and supplemented (collectively, the Senior Indenture). Bonds issued under the Senior Indenture (Senior Bonds) are secured by an irrevocable pledge of the Net Pledged Revenues generated from the operation of LAX. The Department has covenanted in the Senior Indenture not to issue any debt with a pledge of or lien on Net Pledged Revenues senior to that of the Senior Bonds.

As defined in the Senior Indenture, Net Pledged Revenues are Pledged Revenues less LAX Maintenance and Operation Expenses. Pledged Revenues include substantially all rentals, fees, and charges associated with the operation of the Airport, but do not include revenues derived from passenger facility charges (PFCs), rental car customer facility charges (CFCs), and certain other excluded revenue categories. The Department applies a portion of its PFC revenues each year to pay part of its Annual Debt Service on the Senior Bonds.

LAX Maintenance and Operation Expenses are defined to include substantially all expenses of the Airport paid from Pledged Revenues, as determined in accordance with generally accepted accounting principles (GAAP). LAX Maintenance and Operation Expenses do not include depreciation or expenses that are paid from sources other than Pledged Revenues.

Rate Covenant

The Department has covenanted in the Senior Indenture that while any Bonds are Outstanding, the Department will "establish, fix, prescribe, and collect rates, tolls, fees, rentals, and charges in connection with [the Airport] ….. so that during each Fiscal Year:"

- The Department's obligation to fulfill certain payments under the Senior Indenture flow of funds structure as described later in the Report are met, and
- Net Pledged Revenues, together with any Transfer, will be equal to at least 125% of Aggregate Annual Debt Service on the Outstanding Senior Bonds

Additional Bonds

In addition to the Series 2015DE Senior Bonds, the Department expects to issue additional Senior Bonds during the forecast period (between FY 2016 and FY 2021) with a total principal amount of approximately $2.4 billion to partially fund the Series 2015DE Senior Bond Projects and the Other

*Capitalized terms not otherwise defined herein shall have the meaning given in the Master Trust Indenture.

Committed and Planned Projects, as described more fully later in this Report. The financial analysis section of the Report includes the forecast effects of those additional Senior Bonds on Pledged Revenues, Maintenance and Operation Expenses, debt service, and Net Pledged Revenues of the Airport. Additionally, the Department may undertake Senior Bond refundings during the forecast period to take advantage of favorable conditions in the municipal bond markets. However, the Report does not consider the effects that any such refundings may have on the forecasts.

The amount and timing of these additional Senior Bond issues reflect the Department's currently anticipated Capital Program and timetable for project implementation. Such future Senior Bond issue amounts and timing are subject to change as aviation activity levels, facility needs, and the Airport operating environment evolve over time.

SUBORDINATE OBLIGATIONS

In addition to its Senior Bonds, the Department has issued bonds (Subordinate Bonds) and commercial paper under its Master Subordinate Trust Indenture dated as of December 1, 2002, by and between the Department and U.S. Bank National Association, as trustee (the Subordinate Trustee), as amended and supplemented (collectively, the Subordinate Indenture). The Department's current plan for funding its Capital Program contemplates the issuance of additional Subordinate Bonds totaling approximately $390 million in par amount to fund projects in the Capital Program. The Subordinate Indenture and the Department's plans for issuing additional Subordinate Bonds are described in more detail later in this Report.

SCOPE OF STUDY

This study was undertaken to evaluate the ability of the Airport to generate sufficient Net Pledged Revenues to meet the requirements of the Rate Covenants in the Senior Indenture and the Subordinate Indenture, taking into account annual debt service on the currently outstanding Senior Bonds and Subordinate Bonds, the proposed Series 2015DE Senior Bonds, and the additional Senior Bonds and Subordinate Bonds expected to be issued during the forecast period for the Series 2015DE Senior Bond Projects and the Other Committed and Planned Projects.

In conducting the study, we reviewed and analyzed:

- Historical airline traffic demand at the Airport, considering the demographic and economic characteristics of the Los Angeles region, historical trends in airline traffic, and other key factors that may affect future airline traffic, as the basis for preparing the aviation activity forecasts.

- Debt service requirements on the currently outstanding Senior Bonds, and estimated debt service requirements on the proposed Series 2015DE Senior Bonds and the additional Senior Bonds expected to be issued during the forecast period.

- Debt service requirements on the currently outstanding Subordinate Bonds and commercial paper, and estimated debt service requirements on the additional Subordinate Bonds expected to be issued during the forecast period.

- Historical relationships among Revenues, Maintenance and Operation Expenses, PFC revenues, and airline traffic at the Airport, and other factors that may affect future pledged revenues and expenses.

- The Department's audited financial statements for FY 2014 and unaudited financial statements for FY 2015.

- The Department's FY 2015 unaudited revenues and maintenance and operation expenses for the Airport, its FY 2016 annual budget, and other operational considerations.

- The Department's Capital Program for the Airport and its most recent estimates of capital project costs, implementation schedules, and expected asset useful lives.

- The Department's policies and contractual arrangements relating to the use and occupancy of Airport facilities, including the calculation of airline rentals, fees, and charges; the operation of concession privileges; and the leasing of buildings and grounds.

- The Department's approved PFC program, PFC-eligible enplaned passengers, and historical PFC revenues (including restricted interest income).

- The Stipulated Settlement, dated February 16, 2006, between the City and certain other agencies located in the Los Angeles metropolitan area with respect to plans for developing facilities at the Airport.

We also identified key factors upon which the future financial results of the Airport may depend and, with Department management, formulated assumptions about those factors. On the basis of those assumptions, we assembled the financial forecasts presented in the exhibits provided at the end of this Report:

Exhibit	
A-1	Capital Program
A-2	Capital Program Sources of Funding
B-1	Sources and Uses of Bond Funds
B-2	Net Debt Service
C	LAX Maintenance and Operation Expenses
D-1	Pledged Revenues
D-2	Passenger Facility Charges
E-1	Landing and Apron Fees
E-2	Airline Cost per Enplaned Passenger
F	Application of Pledged Revenues
G	Rate Covenant Compliance Forecast
H	Summary of Financial Forecasts—Base Case
I	Summary of Financial Projections—Sensitivity Scenario

SUMMARY OF FORECAST RESULTS

As indicated in Exhibit F and Exhibit G and further discussed in the Report, it is forecast that the Department would meet the requirements of the Rate Covenants in the Senior Indenture and the Subordinate Indenture in each Fiscal Year of the forecast period.

The table below summarizes estimated and forecast Net Pledged Revenues, debt service on bonds issued under the terms of the Senior Indenture and Subordinate Indenture (including the proposed Series 2015DE Senior Bonds and the anticipated future Senior Bonds and Subordinate Bonds issued for purposes of implementing the Series 2015DE Senior Bond Projects and the Other Committed and Planned Projects), debt service coverage, and airline payments per enplaned passenger.

	Estimated	Forecast				
	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Enplaned passengers (millions)	37.0	37.8	38.6	39.3	39.9	40.5
Percentage change		2.2%	2.0%	1.8%	1.6%	1.4%
Net Pledged Revenues (millions)	$516.7	$583.8	$662.9	$713.2	$733.3	$778.8
Net Debt Service on Senior Bonds (millions)	$93.3	$158.7	$168.1	$179.5	$246.9	$255.7
Net Debt Service on Subordinate Bonds (millions)	$62.0	$70.3	$78.8	$90.0	$93.3	$91.1
Senior Debt Service Coverage	5.54	3.68	3.94	3.97	2.97	3.05
Subordinate Debt Service Coverage	6.83	6.05	6.28	5.93	5.21	5.74
Combined Senior and Subordinate Debt Service Coverage	3.33	2.55	2.68	2.65	2.16	2.25
Passenger Airline Cost per Enplaned Passenger	$16.02	$17.78	$19.73	$20.96	$22.27	$23.99

Note: Debt service is net of amounts paid with capitalized interest and PFCs, where applicable.

Source: The Department for estimated FY 2016 data; LeighFisher for forecast data.

ASSUMPTIONS UNDERLYING THE FINANCIAL FORECASTS

The financial forecasts are based on information and assumptions provided by, or reviewed with and agreed to by, Department management. Accordingly, the forecasts reflect the Department's expected course of action during the forecast period and, in Department management's judgment, present fairly the expected financial results of the Airport enterprise.

The key factors and assumptions that are significant to the forecasts are set forth in the attachment, "Background, Assumptions, and Rationale for the Financial Forecasts." The attachment should be read in its entirety for an understanding of the forecasts and the underlying assumptions.

In our opinion, the underlying assumptions provide a reasonable basis for the forecasts. However, any forecast is subject to uncertainties. Inevitably, some assumptions will not be realized, and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between the forecast and actual results, and those differences may be material. Neither LeighFisher nor any person acting on our behalf makes any warranty, expressed or implied, with respect to the information, assumptions, forecasts, opinions, or conclusions disclosed in the Report. We have no responsibility to update this Report for events and circumstances occurring after the date of the Report.

* * * * *

We appreciate the opportunity to serve as the Airport Consultant for the Department of Airports of the City of Los Angeles on this proposed financing.

Respectfully submitted,

LeighFisher

LEIGHFISHER

BACKGROUND, ASSUMPTIONS, AND RATIONALE FOR THE FINANCIAL FORECASTS

REPORT OF THE AIRPORT CONSULTANT

on the proposed issuance of

DEPARTMENT OF AIRPORTS
OF THE CITY OF LOS ANGELES
SENIOR REVENUE BONDS
2015 Series D (AMT) and 2015 Series E (Non-AMT)

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1. INTRODUCTION

This section provides an overview of the Department and the Airport, including airfield facilities, terminal facilities, parking, Airport access, and other facilities.

THE DEPARTMENT OF AIRPORTS

The City, through the Department, owns and operates the Airport as a financially self-sufficient enterprise without City General Fund support. The Airport is part of an airport system owned and operated by the Department, which also includes LA/Ontario International Airport (LA/ONT) and Van Nuys Airport. Van Nuys Airport is one of the busiest general aviation airports in the country and does not have commercial airline activity. The Department also maintains LA/Palmdale Regional Airport, although that airport has no commercial airline service and is not currently certificated by the Federal Aviation Administration (FAA).

The Department and the City of Ontario, parties to litigation regarding, among other things, the Department's operation and management of LA/ONT, are negotiating a potential settlement which may result in the transfer of LA/ONT and certain adjacent property to a joint powers authority of the County of San Bernardino and the City of Ontario called the Ontario International Airport Authority (OIAA). Any such settlement and the culmination of the transactions contemplated thereby may be subject to the approval of, among others, the Board, the City Council, the City Council of the City of Ontario, OIAA, the FAA and the court.

The Department is governed by a seven-member Board of Airport Commissioners (the Board) which is appointed for staggered five-year terms by the Mayor of Los Angeles, subject to confirmation by the Los Angeles City Council. The Executive Director of the Department is appointed by the Board, subject to confirmation by the Mayor of Los Angeles and the Los Angeles City Council. The Executive Director is empowered to appoint or remove senior management staff of the Department.

Bonds issued by the City through the Department for the benefit of the Airport are not general indebtedness of the City, but are limited obligations of the Department payable solely from certain revenues received by the Department from the operation of the Airport. The Department has no taxing power.

The Series 2015 Series DE Senior Bonds to be issued under the terms of the Senior Indenture are backed solely by certain pledged revenues generated from the operation of LAX, and not by revenues of the Department's entire airport system.

THE AIRPORT

The Airport is located approximately 15 miles southwest of downtown Los Angeles, adjacent to the Pacific Ocean. The Airport occupies approximately 3,673 acres. Figure 1 shows the layout of the Airport from an aerial view, and Table 1 provides a summary of key Airport facilities.

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*Note: The Department undertakes no responsibility for and makes no representations as to the accuracy or completeness of the content of materials contained on the websites referenced in this Report, including but not limited to updates of such information or links to other Internet sites accessed through such websites. Any information contained on such websites that is inconsistent with the information set forth in this Report should be disregarded. No information contained on such websites is a part of or incorporated into this Report, except as expressly noted.

Airfield Facilities

The runway and taxiway system at the Airport provides four parallel runways, all of which are equipped with an instrument landing system (ILS) for arrivals. The runways on the north side of the airfield are 8,926 feet and 10,285 feet long, respectively. The runways on the south side of the airfield are 11,095 feet and 12,091 feet long, respectively. Each of the four runways is 150 feet wide, except for Runway 7R-25L, which is 200 feet wide. The current runway system can accommodate the arrivals and departures at the maximum loads of all commercial aircraft currently in service, including the largest aircraft currently available for commercial service, such as the Airbus A380.

Terminal Facilities

The CTA at the Airport encompasses nine individual unit terminals consisting of approximately 5.8 million square feet of total space, configured around a U-shaped roadway. The terminals in the CTA have 111 operational aircraft gates. A further 10 gates are available for commuter aircraft, and 18 gates are provided at a remote location, for a total of 139 gates Airport-wide. Several of the terminals have facilities for federal inspection services processing of arriving international passengers.

Parking

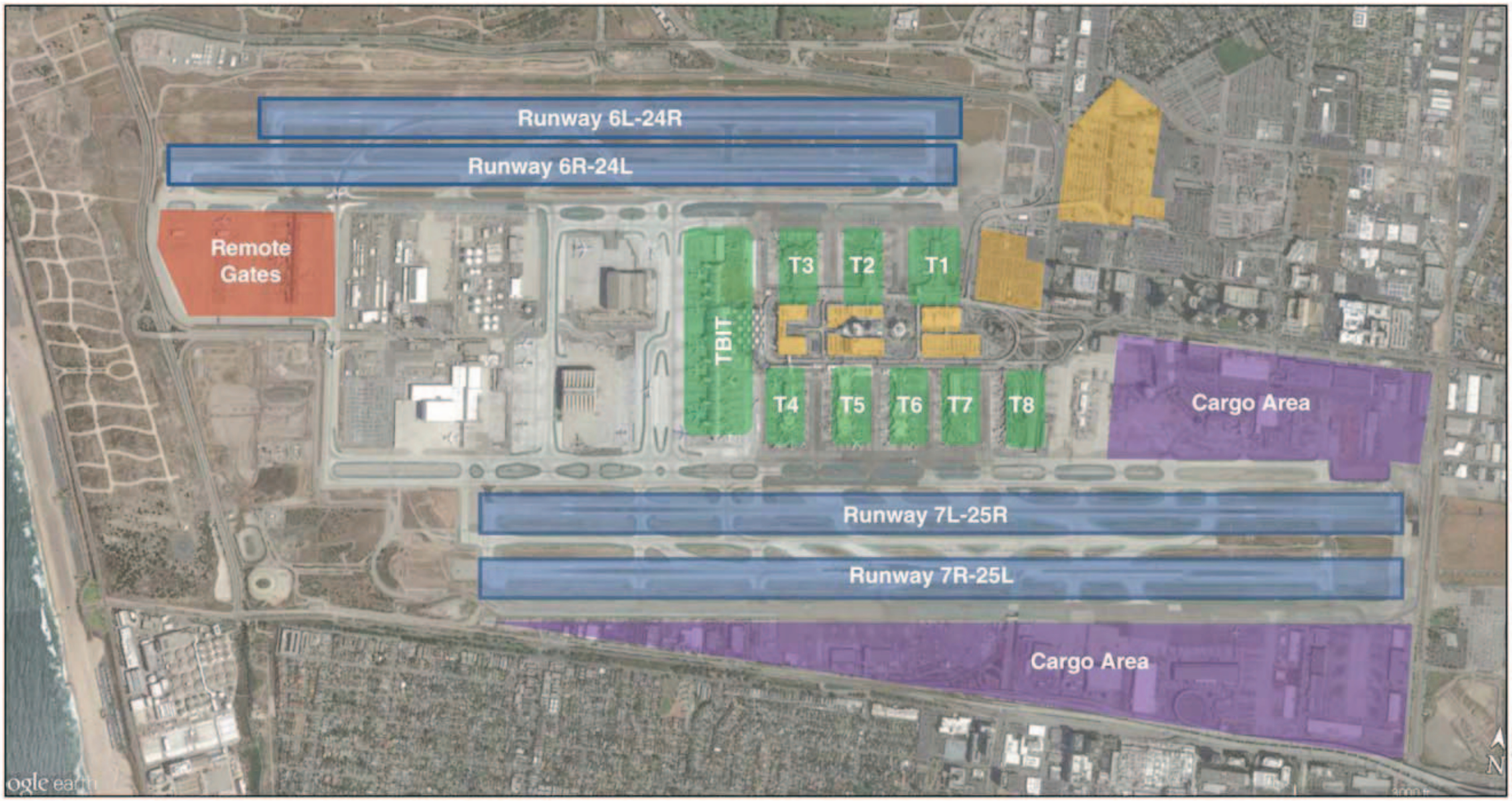
The Department owns the short- and long-term public parking facilities located within the Airport property line. Of the approximately 19,000 Department-owned parking spaces, more than 8,000 spaces are provided in a series of parking garages located in the CTA.

Additionally, several independent companies offer parking facilities off Airport property and provide Airport access to their patrons via shuttle buses. The Department estimates the capacity of these off-Airport parking facilities is approximately 20,000 spaces.

Cargo Facilities

Several airlines provide cargo facilities at the Airport. There are 26 cargo facilities at the Airport, providing more than 2 million square feet of warehouse and office space. Services offered by cargo tenants include refrigeration/cooler facilities, dangerous goods handling, valuable goods handling, and bonded storage.

Figure 1
AERIAL VIEW
Los Angeles International Airport



= Automobile Parking T = Terminal TBIT = Tom Bradley International Terminal

Table 1
AIRPORT FACILITIES PROFILE
Los Angeles International Airport

Airfield *(a)*	Width (feet)	Length (feet)
Runway 6L-24R	150	8,926
Runway 6R-24L	150	10,285
Runway 7L-25R	150	12,091
Runway 7R-25L	200	11,095

Central Terminal Area	Gates	Primary airlines
Terminal 1	13	Southwest
Terminal 2	10	Miscellaneous
Terminal 3	12	JetBlue/Virgin
Terminal 4	13	American
Terminal 5	13	Delta
Terminal 6	13	Alaska/Copa
Terminal 7	11	United
Terminal 8	9	United
Tom Bradley Int'l (TBIT)	17	Foreign flag
	111	
West remote gates	18	
Commuter gate positions	10	
	139	

Automobile parking *(b)*	Spaces
CTA lots *(c)*	8,251
Lot C	5,300
Park One surface lot	2,700
Skyview Center lot	2,300
Cell phone waiting lot	21
	18,572

Cargo facilities	
Number of buildings	26
Total space	2.2 million sq. ft.
Total land area for cargo	166 acres

(a) All eight runway ends are equipped with instrument landing systems.
(b) In addition to Department-owned spaces, there are approximately 20,000 parking spaces operated by off-Airport parking operators.
(c) Eight parking garages in the CTA.

Source: The Department, September 2015.

Airport Access

Access to the Airport is provided by a roadway system and by the Metro rail system.

The Airport is located on the west side of Interstate 405, between Manchester Avenue to the north and Imperial Highway (Interstate 105) to the south. Interstate 405 is a major north-south artery that connects the San Fernando Valley area of Los Angeles to the beach communities located south of the City. Century Boulevard provides access from the 405 to the CTA. Sepulveda Boulevard, a major road running north to south directly adjacent to the CTA, also provides access to the Airport.

A shuttle bus system links the CTA with the Aviation Station on the Metro rail system's Green line.

2. AIRLINE TRAFFIC AND ECONOMIC ANALYSIS

This section discusses the region served by the Airport and the roles of the Airport in the national, State of California (State), and local air transportation systems. This section also presents the economic basis for airline traffic and the airline traffic forecasts for the Airport.

AIRPORT SERVICE REGION

As shown on Figure 2, the primary geographical area served by the Airport consists of Los Angeles, Orange, Riverside, San Bernardino, and Ventura counties in California (the Los Angeles Consolidated Statistical Area or Los Angeles CSA). According to the U.S. Department of Commerce, Bureau of the Census, the population of the Los Angeles CSA was 18.6 million in 2014, accounting for about 48% of California's total population of 38.8 million. Los Angeles County includes the City of Los Angeles and accounts for about 54.5% of the population of the Los Angeles CSA, as shown in Table 2. Because economic growth and activity within this area stimulate a significant portion of passenger demand at the Airport, statistics for the Los Angeles CSA were used to evaluate airline traffic trends at the Airport.*

Table 2
POPULATION OF SOUTHERN CALIFORNIA IN 2014

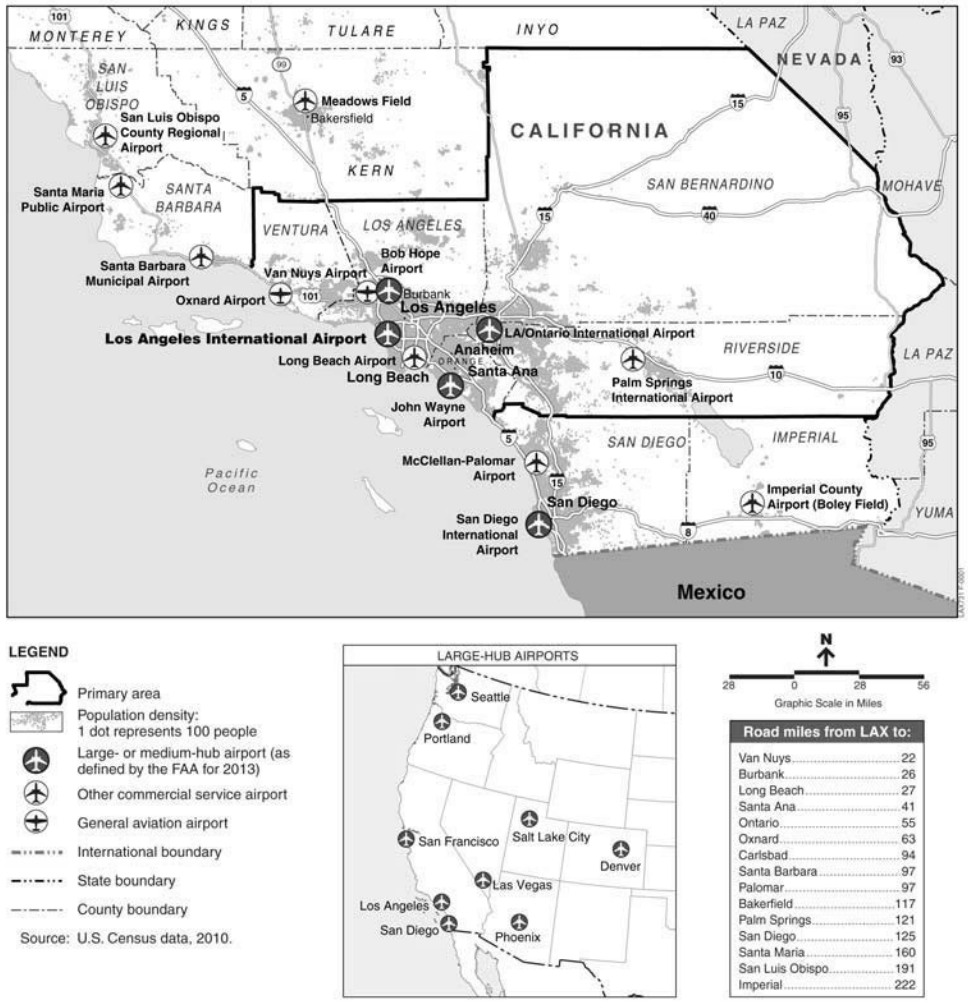
County	Population	Percent of total	Percent of area
Los Angeles CSA			
Los Angeles	10,116,705	42.9%	54.5%
Orange	3,145,515	13.3	17.0
Riverside	2,329,271	9.9	12.6
San Bernardino	2,112,619	9.0	11.4
Ventura	846,178	3.6	4.6
Subtotal—Los Angeles CSA	18,550,288	78.6%	100.0%
Surrounding counties			
San Diego	3,263,431	13.8%	64.8%
Kern	874,589	3.7	17.4
Santa Barbara	440,668	1.9	8.7
San Luis Obispo	279,083	1.2	5.5
Imperial	179,091	0.8	3.6
Subtotal—Surrounding counties	5,036,862	21.4%	100.0%
Total Southern California	23,587,150	100.0%	

CSA = Consolidated Statistical Area

Source U.S. Department of Commerce, Bureau of the Census, www.census.gov, accessed July 2015.

*Data are presented for the most recent period available and, for internet sources, dated when accessed.

Figure 2
AIRPORT SERVICE REGION



The Los Angeles CSA is served by six airports with scheduled air carrier service. LAX accounts for a majority of short-haul service, dominates medium- and long-haul domestic service,* and is Southern California's international gateway. The airports in Burbank, Orange County, and Ontario are medium-hub airports while Long Beach and Palm Springs are small-hub airports.** Each provides primarily short- and medium-haul domestic service. Historically, each airport has drawn passengers largely from its closest surrounding geographical area for short- and medium-haul service, while LAX has captured most of the demand for longer domestic trips and international service from the Los Angeles CSA and

*For the purposes of this report, short-haul flights are 500 miles or less, medium-haul flights are 501 to 1,500 miles, and long haul flights are more than 1,500 miles.

**A large-hub airport is defined by the Federal Aviation Administration (FAA) as one that enplanes 1% or more of annual nationwide passenger boardings; a medium-hub airport enplanes between 0.5% and 1% of nationwide passenger boardings; and a small-hub airport enplanes between 0.25% and 0.5% of nationwide passenger boardings.

Southern California. Van Nuys Airport is the busiest general aviation airport in California (in terms of total aircraft operations), with 238,618 operations in 2014, and one of many general aviation airports in the Los Angeles CSA. LA/Ontario International Airport (currently) and Van Nuys Airport are both part of the airport system operated by the City of Los Angeles.

The Airport also serves a large secondary area consisting of the counties surrounding the Los Angeles CSA. The secondary area is served by seven airports with scheduled airline service; however, except for San Diego International Airport, limited service is provided with regional aircraft, primarily to connecting airline hubs such as LAX. In the northern part of the secondary area, the non-hub airports in Bakersfield, San Luis Obispo, Santa Barbara, and Santa Maria provide limited domestic service with regional aircraft, including service to LAX. The southern part of the secondary area is served by San Diego International Airport, a large hub airport with considerable domestic service and limited international service to destinations in Canada, Mexico, Japan, and the United Kingdom. Limited scheduled service with turboprop aircraft is also provided at Carlsbad's McClellan-Palomar Airport (all service to LAX) and the Imperial County Airport in the southern part of the secondary area. In addition, Oxnard Airport is a general aviation airport in the secondary area located 63 miles to the northwest of LAX.

AIRPORT ROLE

The Airport plays an important role in the national, State, and local air transportation systems. The Airport is a large-hub airport in the national air transportation system. The only airport in the Los Angeles CSA and Southern California with substantial levels of international service and connecting traffic, the Airport is one of five commercial service airports in the Los Angeles metropolitan area.

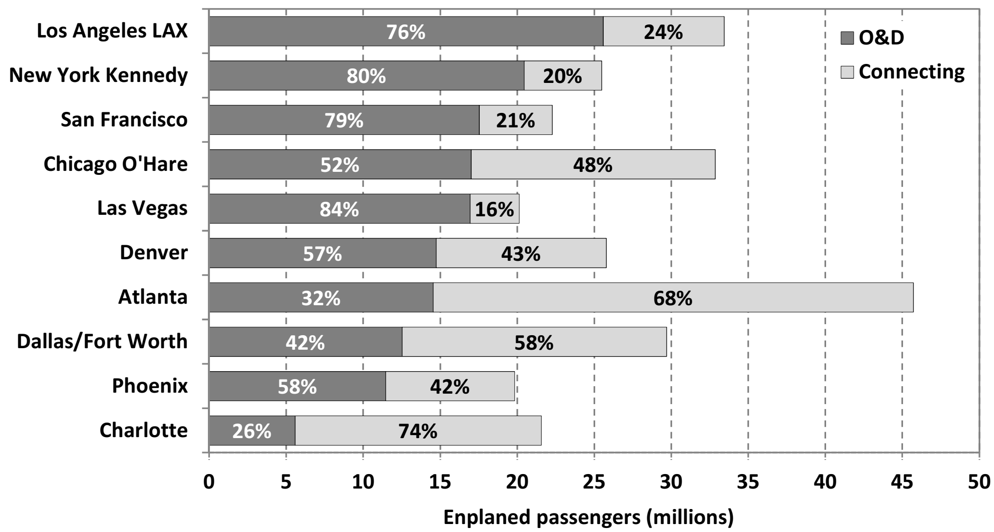
Large-Hub Airport

LAX is the second busiest airport in the United States (Atlanta ranks first) in terms of enplaned passengers, with more than 34 million in FY 2014, as shown on Figure 3. The Airport ranks first among U.S. airports in terms of origin-destination (O&D) passengers, with nearly 26 million or 76% of total enplaned passengers in FY 2014. LAX's large O&D passenger base reflects, in part, a population of 18.6 million in 2014, the second largest in the nation (the New York CSA ranks first with 23.6 million).

Figure 3

ENPLANED PASSENGERS AT THE 10 BUSIEST U.S. AIRPORTS IN FY 2014

Ranked by origin-destination passengers



Note: For Fiscal Years ended June 30
O&D = Origin-Destination passengers

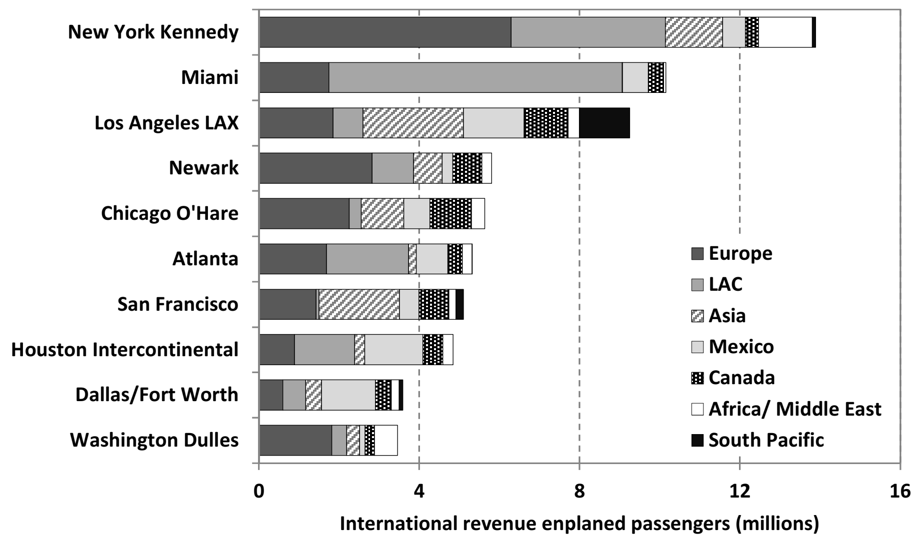
Sources: U.S. Department of Transportation, *Origin-Destination Survey of Airline Passenger Traffic, Domestic*, and Schedule T100, DOT Analyser databases, accessed August 2015.

International Gateway

LAX is the third busiest U.S. gateway airport in the United States (New York Kennedy and Miami rank first and second), in terms of international enplaned passengers, with more than 9 million international revenue enplaned passengers in FY 2015, as shown on Figure 4. The Airport was the fifth busiest in the world in 2014, in terms of total passengers (enplaned and deplaned), according to Airports Council International.* The Airport's role as a primary international gateway in the United States is related to the strength of the Los Angeles CSA economy, the location of global companies and strong international communities of interest in the Los Angeles CSA and Southern California, and its proximity to expanding markets in Asia, the South Pacific, and Mexico. In FY 2015, LAX accounted for the largest number of international passengers to Asia, Canada, the South Pacific, and Mexico of the busiest 10 U.S. gateway airports. LAX accounted for 96% and 93%, respectively, of all international revenue enplaned passengers in the Los Angeles CSA and Southern California in FY 2015.

*Airports Council International, World Airport Traffic Report, 2014.

Figure 4
INTERNATIONAL REVENUE ENPLANED PASSENGERS AT THE 10 BUSIEST U.S. GATEWAY AIRPORTS IN FY 2015



Note: For Fiscal Years ended June 30
LAC = Latin America and the Caribbean, excluding Mexico

Source: U.S. Department of Transportation (DOT), Schedule T100, DOT Analyser databases, accessed September 2015.

Primary Airport in the Los Angeles CSA and Southern California

LAX is the busiest airport in Southern California and accounted for 62.2% of all Southern California revenue enplaned passengers in FY 2015, as shown in Table 3. The other five airports in the Los Angeles CSA together accounted for 19.5% of revenue passenger traffic at all Southern California airports in FY 2015, with the airports in the surrounding counties accounting for the remaining 18.4%. In FY 2015, LAX accounted for 55.5% of domestic revenue passengers and 93.1% of international revenue passengers in Southern California.

Between FY 2010 and FY 2015, the number of revenue enplaned passengers at LAX increased an average of 4.4% per year, stronger than growth at Southern California airports (3.0%) and all California airports (3.1%) during this period. LAX's share of revenue enplaned passengers at Southern California airports increased from 58.2% in FY 2010 to 62.2% in FY 2015.

ECONOMIC BASIS FOR AIRLINE TRAFFIC

The economy of the Los Angeles CSA is an important determinant of long-term passenger demand at the Airport. The development and diversity of the economic base of an airport service region are both important to passenger traffic growth at the airport serving that region. This is particularly true where the industries in the region rely on the airport for passenger and cargo service. The Los Angeles CSA is a national and international travel destination and a center of business and trade in California.

Table 3
REVENUE ENPLANED PASSENGERS AT SOUTHERN CALIFORNIA AIRPORTS

Airport	FY 2010	FY 2015 Domestic	FY 2015 International	FY 2015 Total	FY 2015 Percent of total	CAGR FY 2010-FY 2015
Los Angeles CSA						
Los Angeles	28,208,381	25,713,014	9,254,836	34,967,850	62.2%	4.4%
Orange County	4,363,034	4,549,444	131,213	4,680,657	8.3	1.4
Ontario	2,377,087	1,997,972	56,446	2,054,418	3.7	(2.9)
Burbank	2,263,127	1,952,937	105	1,953,042	3.5	(2.9)
Long Beach	1,394,545	1,289,710	11	1,289,721	2.3	(1.6)
Palm Springs	754,127	796,481	172,981	969,462	1.7	5.2
Subtotal—Los Angeles CSA	39,360,301	36,299,558	9,615,592	45,915,150	81.6%	3.1%
Surrounding counties						
San Diego	8,421,782	9,321,450	328,313	9,649,763	17.2%	2.8%
Santa Barbara	376,438	318,399	21	318,420	0.6	(3.3)
San Luis Obispo	120,687	147,035	-	147,035	0.3	4.0
Bakersfield	101,587	131,859	5	131,864	0.2	5.4
McClellan-Palomar	22,636	37,381	-	37,381	0.1	10.6
Santa Maria	45,118	43,803	-	43,803	0.1	(0.6)
Imperial County	5,043	2,714	--	2,714	0.0	(11.7)
Santa Monica	55	53	16	69	0.0	4.6
Subtotal—Surrounding counties	9,093,346	10,002,694	328,355	10,331,049	18.4%	2.6%
Total Southern California	48,453,647	46,302,252	9,943,947	56,246,199	100.0%	3.0%
All California airports	81,717,499	79,718,800	15,493,884	95,212,684		3.1%
LAX percent of:						
Los Angeles CSA	71.7%	70.8%	96.2%	76.2%		
Southern California airports	58.2	55.5	93.1	62.2		
All California airports	34.5	32.3	59.7	36.7		

Note: Totals may differ from summed totals because of rounding.
For Fiscal Years ended June 30.
CAGR = Compound annual growth rate

Source: U.S. Department of Transportation, Schedule T100, DOT Analyser, accessed September 2015.

The following sections present a discussion of the economic basis for airline traffic at the Airport—historical and projected population, employment, and per capita personal income of the Los Angeles CSA, industry clusters, and the visitor industry—and a summary of the economic outlook for the United States, the State, and the Los Angeles CSA.

Population, Nonagricultural Employment, and Per Capita Personal Income

Table 4 presents comparative historical and projected trends in population, nonagricultural employment, and per capita personal income in the Los Angeles CSA, the State of California (the State), and the United States in 2000 and 2005, and from 2010 through 2014. Also presented are projected growth rates for 2014 through 2021.

Table 4

HISTORICAL AND PROJECTED SOCIOECONOMIC TRENDS

Los Angeles CSA, State of California, and United States

2000-2021

	Population (thousands)			Nonagricultural employment (thousands)			Per capita personal income (2013 dollars)		
	Los Angeles CSA	State of California	United States	Los Angeles CSA	State of California	United States	Los Angeles CSA	State of California	United States
Historical									
2000	16,426	33,988	282,162	6,787	14,590	132,019	$40,874	$45,138	$41,379
2005	17,396	35,828	295,517	7,145	15,013	134,005	43,877	46,477	42,808
2010	17,915	37,336	309,347	6,676	14,216	130,275	42,665	45,171	42,887
2011	18,088	37,702	311,722	6,719	14,364	131,842	43,249	46,344	43,841
2012	18,249	38,063	314,112	6,892	14,712	134,104	44,811	48,201	44,847
2013	18,407	38,431	316,498	7,109	15,183	136,393	44,844	48,434	44,765
2014	18,550	38,803	318,857	7,300	15,645	139,042	n.a.	49,309	45,393
Projected									
2021	19,690	41,164	334,439	7,947	17,049	146,999	51,483	55,984	51,558
	Percent increase (decrease)								
2010-2011	1.0%	1.0%	0.7%	0.6%	1.0%	1.2%	1.4%	2.6%	2.2%
2011-2012	0.9	1.0	0.7	2.6	2.4	1.7	3.6	4.0	2.3
2012-2013	0.9	1.0	0.7	3.2	3.2	1.7	0.1	0.5	(0.2)
2013-2014	0.8	1.0	0.9	2.7	3.0	1.9	n.a.	1.8	1.4
	Average annual percent increase (decrease)								
2000-2005	1.2%	1.1%	0.9%	1.0%	0.6%	0.3%	1.4%	0.6%	0.7%
2005-2010	0.6	0.8	0.9	(1.3)	(1.1)	(0.6)	(0.6)	(0.6)	0.0
2010-2014	0.9	1.0	0.8	2.3	2.4	1.6	1.7 *(a)*	2.2	1.4
2000-2014	0.9	1.0	0.9	0.5	0.5	0.4	0.7 *(a)*	0.6	0.7
2014-2021	1.0	1.0	0.8	1.4	1.4	0.9	2.0 *(a)*	2.1	2.1

n.a. = Not available

CSA = Consolidated Statistical Area, consisting of Los Angeles, Orange, Riverside, San Bernardino, and Ventura counties

(a) Represents average annual percent increase from 2013.

Sources: Historical: U.S. Department of Commerce, Bureau of the Census, www.census.gov, U.S. Department of Labor, Bureau of Labor Statistics, www.bls.gov, U.S. Department of Commerce, Bureau of Economic Analysis, www.bea.gov, accessed August 2015. Adjusted to constant 2013 dollars using the U.S. Department of Labor, Consumer Price Index for Urban Consumers (1982-84 = 100), www.bls.gov.

Projected growth rates: California Department of Transportation, *California County-Level Economic Forecast 2014-2040, The California Economic Forecast,* September 2014, U.S. Department of Commerce, Bureau of the Census, *Projections of the Population and Components of Change for the United States: 2015 to 2060*, December 2014, www.census.gov, U.S. Department of Labor, Bureau of Labor Statistics, Employment Projections Program, www.bls.gov, accessed July 2015, IHS Global Insight as reported by Federal Aviation Administration, FAA Aerospace Forecasts, Fiscal Years 2015–2035, www.faa.gov, March 2015.

Population. As shown in Table 4, from 2000 through 2014, the population of the Los Angeles CSA increased an average of 0.9% per year, similar to growth rates for the State and the nation. The California Department of Transportation (Caltrans) projects population in the Los Angeles CSA and the State to increase an average of 1.0% per year between 2014 and 2021, slightly faster than rates for the nation.

Nonagricultural Employment. Nonagricultural employment in the Los Angeles CSA increased an average of 0.5% per year between 2000 and 2014, with faster growth between 2010 and 2014 (an average increase of 2.3% per year), as shown in Table 4. Between 2005 and 2010, nonagricultural employment growth in the Los Angeles CSA decreased an average of 1.3% per year, reflecting the effects of the national economic recession in 2008 through 2009. Caltrans projects nonagricultural employment in the Los Angeles CSA and the State to increase an average of 1.4% per year between 2014 through 2021, faster than growth rates for the nation.

Per Capita Personal Income. Similar to the trends in nonagricultural employment, per capita personal income (in constant 2013 dollars) in the Los Angeles CSA increased an average of 0.7% per year between 2000 and 2013 (the most recent year available), with faster growth between 2010 and 2013 (an average increase of 1.7% per year), as shown in Table 4. Caltrans projects per capita personal income (in constant dollars) in the Los Angeles CSA to increase an average of 2.0% per year between 2013 through 2021, similar to that for the State and the nation (2.1%).

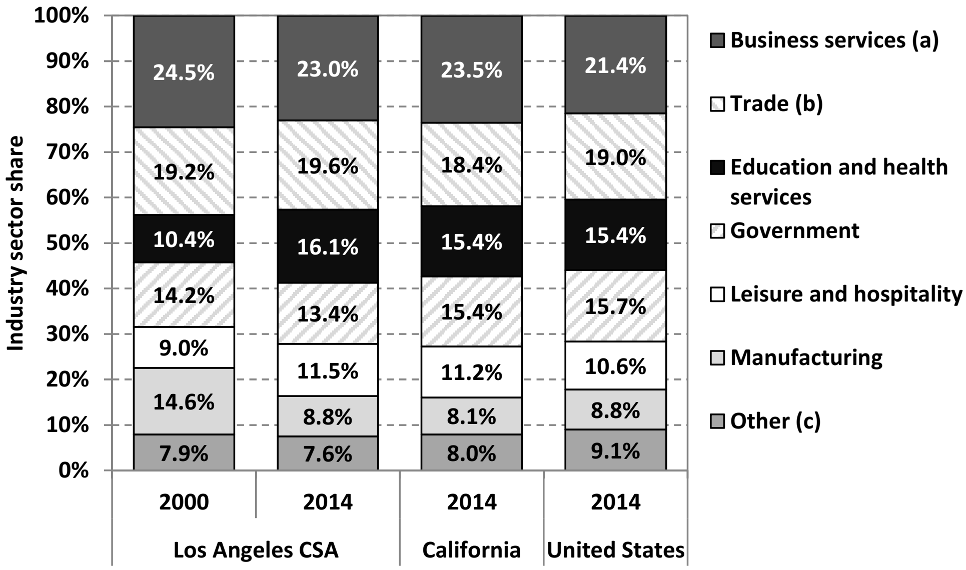
Nonagricultural Employment by Industry Sector. Figure 5 shows a comparative distribution of nonagricultural employment by industry sector for the Los Angeles CSA in 2000 and 2014, and for the State and the nation in 2014. Between 2000 and 2014, the education and health services and leisure and hospitality sectors in the Los Angeles CSA experienced the strongest growth, increasing an average of 3.7% and 2.3% per year, respectively, faster than the overall average growth rate of 0.5% per year during this period. The Los Angeles CSA's business and financial services sector accounted for the largest share of employment in 2014, with 23.0%, more than the share for the nation (21.4%) but less than that for the State (23.5%). The trade, education and health services, and leisure and hospitality sectors in the Los Angeles CSA accounted for 19.6%, 16.1%, and 11.5%, respectively, of nonagricultural employment in 2014, exceeding that for the State and the nation. These four sectors accounted for 70.2% of the Los Angeles CSA's nonagricultural employment in 2014.

Unemployment Rates. In addition to the employment trends cited above, the unemployment rate is also indicative of the general economic climate. Figure 6 shows comparative monthly unemployment rates in the Los Angeles CSA, the State, and the nation as a whole in January 2013 through June 2015. Unemployment rates in the Los Angeles CSA and the State decreased starting in January 2013 but remained higher than rates for the nation. In June 2015, the Los Angeles CSA unemployment rate was 6.5%, higher than the rates for the State (6.2%) and the nation (5.5%).

Los Angeles CSA Fortune 500 Companies. The Los Angeles CSA is home to the headquarters of a diverse range of Fortune 500 companies, including entertainment, semiconductor, telecommunications, pharmaceuticals, healthcare, and insurance industry sectors. Three of the Los Angeles CSA's Fortune 500 companies rank in the top 100—The Walt Disney Company, Ingram Micro, and DIRECTV—as shown in Table 5.

Figure 5

COMPARATIVE DISTRIBUTION OF NONAGRICULTURAL EMPLOYMENT

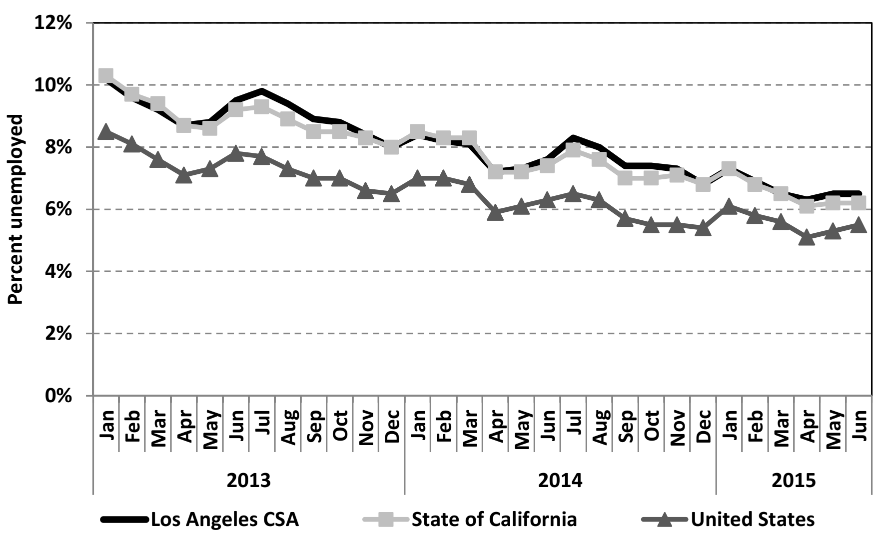


(a) Includes professional and business services, financial activity, and information.
(b) Includes transportation and public utilities.
(c) Includes mining, construction, and other services.

Source: U.S. Department of Labor, Bureau of Labor Statistics, www.bls.gov, accessed August 2015.

Figure 6

MONTHLY UNEMPLOYMENT RATES



Note: Unemployment rates are not seasonally adjusted.

Source: U.S. Department of Labor, Bureau of the Labor Statistics, www.bls.gov, accessed August 2015.

Table 5

FORTUNE 500 COMPANIES HEADQUARTERED IN THE LOS ANGELES CSA

Company	2014 Revenue (millions)	Fortune 500 rank	Location	Industry
The Walt Disney Company	$48,813	57	Burbank	Entertainment
Ingram Micro, Inc.	46,487	62	Santa Ana	Semiconductors
DIRECTV *(a)*	33,260	95	El Segundo	Telecommunications
Amgen, Inc.	20,063	145	Thousand Oaks	Pharmaceuticals
Western Digital Corporation	15,130	205	Irvine	Computer peripherals
Health Net, Inc.	14,009	216	Woodland Hills	Health care
Edison International	13,413	226	Rosemead	Utilities
Jacobs Engineering Group Inc.	12,695	239	Pasadena	Engineering/construction
Farmers Insurance Exchange	11,318	264	Woodland Hills	Insurance
Reliance Steel & Aluminum Co.	10,452	283	Los Angeles	Metals
Molina Healthcare, Inc.	9,667	301	Long Beach	Health care
CBRE Group, Inc.	9,050	321	Los Angeles	Real estate
Broadcom Corporation	8,428	340	Irvine	Semiconductors
AECOM Technology Corporation	8,357	343	Los Angeles	Engineering/construction
Allergan, Inc.	7,238	380	Irvine	Pharmaceuticals
Pacific Life	7,073	387	Newport Beach	Insurance
Live Nation Entertainment, Inc.	6,867	392	Beverly Hills	Entertainment
Avery Dennison Corporation	6,330	427	Glendale	Paper products
Mattel, Inc.	6,024	439	El Segundo	Toy manufacturing
A-Mark Precious Metals	5,979	444	Santa Monica	Precious Metals

(a) Acquired by AT&T in July 2015.

Source: Fortune Magazine, Fortune 500 Companies, 2015, www.fortune.com.

Industry Clusters

In recent years, industry clusters have been increasingly used as an economic development tool to identify and promote a geographic concentration of interconnected businesses, suppliers, and research institutions in a region. The Los Angeles CSA's major industry clusters are entertainment, international trade, education and knowledge creation, fashion and lifestyle, hospitality and tourism, cleantech and advanced transportation, biopharmaceuticals and medical devices, food manufacturing, and aerospace and defense, according to the Los Angeles County Economic Development Commission (LAEDC). These industry clusters, or groups of companies that buy, sell, and/or provide services to each other in the manufacture of goods for export from the area, are positioned to grow within the Los Angeles CSA.*

Entertainment. The entertainment cluster is led by 13,000 companies, including major-studio film production, the recording industry, and new media companies (i.e., video games, web development, and other interactive technologies), that employ more than 160,000 people. The Los Angeles CSA is home to

*The LAEDC reports industry cluster data for Los Angeles County only. Because Los Angeles County accounts for nearly 60% of employment in the Los Angeles CSA, statistics for Los Angeles County were used to evaluate trends in industry clusters for the entire Los Angeles CSA.

major movie studios such as Disney, Fox, Paramount, Dreamworks, Sony/Columbia, NBC/Universal, and Warner Brothers.

International Trade. International trade is supported by two seaports (the Port of Los Angeles and the Port of Long Beach), three rail lines (Los Angeles Rail Lines, Burlington Northern Santa Fe, and Union Pacific), air freight service at LAX, and more than 4,500 firms owned or affiliated with foreign-owned parents that combined employ more than 160,000 people.

Education and Knowledge Creation. More than 85,000 people are employed at 2,200 private establishments in the education and knowledge creation industry, which includes more than 120 colleges, universities, and vocational schools. The Los Angeles CSA is home to leading research universities such as the University of California, Los Angeles (UCLA), with 42,000 students, the University of Southern California (USC) with 42,000 students, the University of California, Irvine, with 30,000 students, Loyola Marymount University with 9,000 students, the Claremont Colleges with 6,300 students, and the California Institute of Technology (Caltech) with 2,200 students. The industry also includes many vocational schools, such as the Art Center College of Design, California Institute of the Arts, Colburn School for performing arts, and Otis College of Art and Design.

Fashion and Lifestyle. The fashion and lifestyle industry cluster is led by 3,000 companies, including apparel design, manufacturing and wholesaling, textile, footwear, jewelry and leather goods, and beauty products firms, that employ nearly 62,000 people. Leading fashion and lifestyle companies in the Los Angeles CSA include Forever 21, Karen Kane, BCBG, American Apparel, Guess, and Lucky Brand.

Hospitality and Tourism. The hospitality and tourism sector, which includes hotels, amusement parks, and passenger car rental and travel arrangement services firms, employs more than 61,000 people. According to a 2015 study of the hospitality and tourism industry cluster, hospitality and tourism supported 678,400 jobs (including direct, indirect, and induced jobs) and $8.9 billion in total spending.* Leading hospitality and tourism companies in the Los Angeles CSA include The Millennium Biltmore Hotel, Spago restaurant, and Chateau Marmont.

Cleantech and Advanced Transportation. The cleantech and advanced transportation cluster includes smart grid, connected car, waste-to-energy, zero emission trucks and buses, vehicle design, and energy storage companies. Research for cleantech and advanced transportation is supported by university research centers in Southern California, including the USC Energy Institute, UCLA Smart Grid Energy Research Center, Caltech Jet Propulsion Laboratory, California State University, Northridge, Energy Research Center, and UCLA Institute of the Environment and Sustainability.

Biopharmaceuticals and Medical Devices. The biopharmaceuticals and medical devices industry cluster, including research, testing, and medical labs; medical devices and equipment companies; bioscience-related distribution firms; and drugs and pharmaceuticals companies, employs more than 31,000 people. Leading research and teaching hospitals include the UCLA Medical Center, USC Keck School of Medicine, Keck Graduate Institute, the City of Hope, Cedars-Sinai Medical Center, Los Amigos National Rehabilitation Center, the Doheny and Stein eye institutes, and the Los Angeles Biomedical Research Institute.

*Los Angeles County Economic Development Corporation, Institute for Applied Economics, Hospitality and Tourism in Los Angeles County, Its Economic Contribution and Occupational Forecast, A Los Angeles County Industry Cluster Study, February 2015, www.laedc.org.

Food Manufacturing. The food manufacturing industry cluster, including bakeries; tortilla manufacturers; and dairy products, frozen specialty foods, and meat processing companies, employs 40,000 people. Leading business services companies in the Los Angles CSA include Farmer John, Nestle Foods, Sunkist Growers, and Huy Fong Foods.

Aerospace and Defense. The aerospace and defense industry cluster, including aerospace vehicles, atmospheric flight research and operations, civilian rotary aircraft, unmanned aircraft systems, and space and missile systems firms, is led by 300 companies that employ 56,000 people. Leading aerospace and defense companies in the Los Angles CSA include Boeing, Lockheed Martin, Northrop Grumman, and Raytheon.

Housing Market

Trends in a region's housing market generally follow economic cycles and are an indicator of overall economic activity that helps to spur air travel demand. Figure 7 presents the percent change in home prices for Los Angeles and composites for 10 selected metropolitan areas from January 1988 through April 2015, based on the Standard & Poor's/Case-Shiller Home Price Index. Historically, Los Angeles home prices have generally followed national trends, with somewhat larger peaks and valleys in certain years. Home prices in Los Angeles reached peak levels in 2006 and began to decrease in February 2007, before the start of the economic recession in December 2007, and continued to decrease through November 2009. Los Angeles home prices recovered for a short period and decreased again in December 2010 through June 2012, generally following national trends. Since June 2012, housing prices in the Los Angeles regional housing market have increased each month, with slower but continued growth since August 2014.

Visitor Industry

The visitor industry is an important driver of the Los Angeles CSA economy and passenger traffic at the Airport. According to the Los Angeles Tourism and Convention Board, more than 50 million people visited Los Angeles County in 2014, as shown in Table 6. Between 2000 and 2014, the total number of visitors to Los Angeles County increased an average of 3.5% per year, with international visitors increasing an average of 4.4% per year compared with an average increase of 3.4% in domestic visitors.

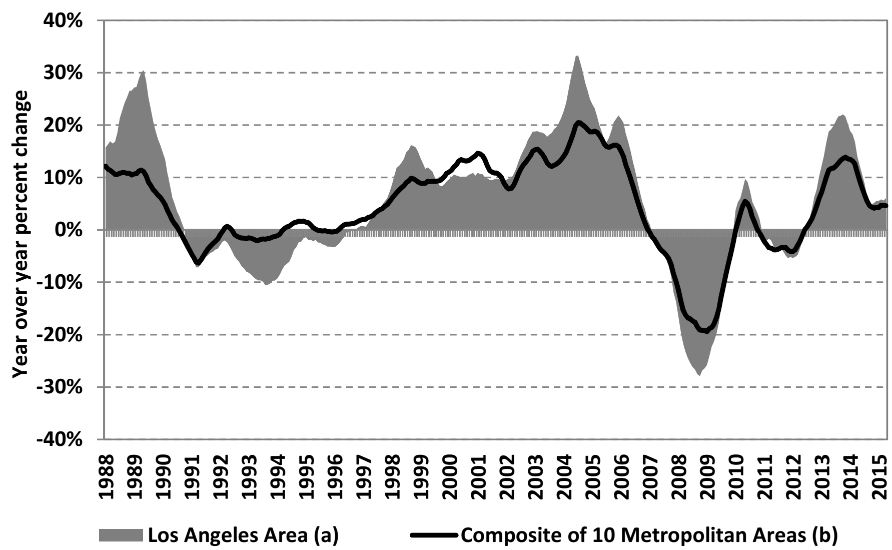
Domestic Visitors. In 2014, more than 42 million U.S. travelers visited Los Angeles County, accounting for 85% of total visitors, including day and overnight trips. The Los Angeles Tourism and Convention Board forecasts the number of domestic visitors to Los Angeles County to increase an average of 2.6% per year between 2014 and 2019, as shown in Table 6.

International Visitors. In 2014, more than 6.5 million international travelers visited Los Angeles County, including 4.0 million overseas visitors and more than 2.4 million visitors from Canada and Mexico, and accounted for 15% of total visitors. Visitors from China (excluding Hong Kong) accounted for the strongest growth between 2010 and 2014, increasing an average of 25.9% per year to become the largest overseas market in 2014. Strong growth in the number of visitors from Brazil also occurred between 2010 and 2014 (an average increase of 20.4% per year), albeit from a small base.

Figure 7

PERCENT CHANGE IN HOME PRICES

Los Angeles and Selected Metropolitan Areas



(a) Includes data for the Los Angeles MSA.

(b) Includes Boston, Chicago, Denver, Las Vegas, Los Angeles, Miami, New York, San Diego, San Francisco, and Washington, D.C.

Source: Standard & Poors/Case-Shiller Home Price Indices, www.standardandpoors.com, accessed July 2015.

As shown in Table 6, the Los Angeles Tourism and Convention Board forecasts the number of international visitors to Los Angeles County to increase an average of 4.2% per year between 2014 and 2019, with faster growth in overseas visitors (an average of 5.2% per year) and slower growth in visitors from Canada and Mexico (an average of 3.0% and 2.3% per year, respectively). Continued strong growth is forecast for the number of visitors from China between 2014 and 2019 (an average increase of 10.6% per year).

The international visitor forecasts prepared by the Los Angeles Tourism and Convention Board are consistent with those prepared by the U.S. National Travel and Tourism Office (NTTO)* for international travelers to the United States, as shown in Table 7. NTTO forecasts the number of overseas visitors to the United States to increase an average of 4.5% per year between 2014 and 2019. The NTTO forecasts are developed by country and international region; forecasts by U.S. destinations are not prepared.

*The NTTO is a division of the International Trade Administration and administers joint marketing efforts, provides official travel and tourism statistics, and coordinates efforts across federal agencies to enhance the international competitiveness of the U.S. travel and tourism industry and increase its exports.

Table 6

HISTORICAL AND FORECAST VISITOR TRENDS IN LOS ANGELES COUNTY

	Historical		Forecast	Compound annual percent increase (decrease)	
	2010	2014	2019	2010-2014	2014-2019
Domestic					
Day visitors	12,390,000	14,749,000	17,298,100	4.5%	3.2%
Overnight visitors	20,600,000	22,973,000	25,498,600	2.8	2.1
Total domestic visitors	32,990,000	37,722,000	42,796,700	3.4%	2.6%
International					
Overseas markets					
China *(a)*	273,000	686,000	1,134,200	25.9%	10.6%
Australia	361,000	401,000	514,800	2.7	5.1
United Kingdom	339,000	328,000	403,200	(0.8)	4.2
Japan	274,000	310,000	356,000	3.1	2.8
France	247,000	281,000	331,400	3.3	3.4
South Korea	280,000	254,000	320,100	(2.4)	4.7
Germany	218,000	234,000	280,700	1.8	3.7
Brazil	61,000	128,000	159,000	20.4	4.4
Other overseas	1,295,000	1,427,000	1,707,600	2.5	3.7
Subtotal—overseas	3,348,000	4,049,000	5,207,000	4.9%	5.2%
Other international markets					
Mexico	1,553,000	1,732,000	1,944,500	2.8%	2.3%
Canada	595,000	739,000	858,500	5.6	3.0
Subtotal—other	2,148,000	2,471,000	2,803,000	3.6%	2.6%
Total international visitors	5,496,000	6,520,000	8,010,000	4.4%	4.2%
Total visitors	38,486,000	44,242,000	50,806,700	3.5%	2.8%
Overnight visitors					
Leisure					
Domestic	15,429,400	17,712,000	19,759,600	3.5%	2.2%
International	4,396,800	5,281,600	6,503,400	4.7	4.2
Subtotal—leisure	19,826,200	22,993,600	26,263,000	3.8%	2.7%
Business					
Domestic	5,170,600	5,261,000	5,739,000	0.4%	1.8%
International	1,099,200	1,238,400	1,506,600	3.0	4.0
Subtotal—business	6,269,800	6,499,400	7,245,600	0.9%	2.2%
Total overnight visitors	26,096,000	29,493,000	33,508,600	3.1%	2.6%

(a) Excluding Hong Kong.

Source: Los Angeles Tourism and Convention Board, www.discoverlosangeles.com, accessed August 2015.

Table 7
FORECASTS OF INTERNATIONAL TRAVELERS TO THE UNITED STATES BY WORLD REGION

	Arriving passengers (thousands)		Compound annual percent increase
	2014	2019	2014-2019
North America *(a)*	40,219	46,446	2.9%
Overseas			
Europe	13,550	15,422	2.6
Asia	9,626	13,381	6.8
South America	5,380	6,755	4.7
Oceania	1,506	1,763	3.2
Caribbean	1,130	1,234	1.8
Middle East	1,141	1,657	7.7
Central America	842	960	2.7
Africa	454	669	8.1
	33,629	41,841	4.5
	73,887	88,287	3.6

(a) Includes Canada and Mexico.

Sources: U.S. Department of Commerce, International Trade Administration, Office of Tourism Industries, June 2013.

Leisure Visitors. In 2014, nearly 26 million overnight leisure visitors traveled to Los Angeles County, accounting for 78% of overnight visitors; business visitors accounted for the remaining 22%.* As shown in Table 6, the number of overnight leisure visitors to Los Angeles County increased an average of 3.8% per year between 2010 and 2014, with stronger growth in international leisure visitors (an average of 4.7% per year) compared with domestic leisure visitors (an average increase of 3.5% per year).

As shown in Table 6, the Los Angeles Tourism and Convention Board forecasts the number of overnight leisure visitors to Los Angeles County to increase an average of 2.7% per year between 2014 and 2019, with faster growth in international leisure visitors (an average of 4.2% per year) and slower growth in domestic leisure visitors (an average of 2.2% per year).

The growth in the number of leisure visitors reflects the concentration of entertainment-based theme parks in the Los Angeles CSA that attract both domestic and international travelers. In 2014, Los Angeles's three largest theme parks—Disneyland, Disney California Adventure, and Universal Studios Hollywood—were among the 10 busiest in the United States in terms of total attendance, with more than 32 million attendees, according to the 2014 ranking prepared by the Themed Entertainment Association.** In addition, two U.S. theme parks in Southern California—Sea World San Diego and

*Includes visitors traveling by all modes of transport.

**The Themed Entertainment Association is an international non-profit association that represents creators, developers, designers, and producers of themed entertainment.

Knott's Berry Farm—were among the 20 busiest and had a combined attendance of more than 7 million in 2014.

The cruise ship industry at the Port of Los Angeles also contributes to the number of leisure visitors in the Los Angeles CSA. The Port of Los Angeles is currently served by Azamara Club Cruises, Celebrity Cruises, Crystal Cruises, Disney Cruise Line, Norwegian Cruise Line, and Princess Cruises. In 2014, the Port of Los Angeles handled 579,000 cruise passengers, a 35% increase over 2013. The Port of Long Beach is home to Carnival Cruise Lines Terminal and the RMS Queen Mary.

Business Visitors. In 2014, approximately 6.5 million overnight business travelers visited Los Angeles County. As shown in Table 6, the number of overnight business visitors increased an average of 0.9% per year between 2010 and 2014, with faster growth in the numbers of international business visitors (an average of 3.0% per year) compared with domestic business visitors (an average increase of 0.4% per year).

As shown in Table 6, the Los Angeles Tourism and Convention Board forecasts the number of overnight business visitors to Los Angeles County to increase an average of 2.2% per year between 2014 and 2019, with faster growth in international business visitors (an average of 4.0% per year) and slower growth in domestic business visitors (an average of 1.8% per year).

Business visitors to Los Angeles County also include convention and trade show attendees. The Los Angeles Convention Center (LACC), located in downtown Los Angeles, hosts more than 2 million visitors and 350 events annually. The LACC hosts annual events such as the Los Angeles Auto Show, the Anime Expo, and the Electronic Entertainment Expo, or E3, a gathering of video game exhibitors that brings nearly 50,000 attendees to the convention center. Plans are underway to modernize and expand the 870,000-square-foot LACC to 1.3 million square feet, including 60,000 square feet of ballroom space.

Hotel Infrastructure. Between 2010 and 2014, the number of occupied hotel room nights in Los Angeles County increased from 24.1 million to 28.1 million, an average increase of 3.9% per year. Average daily rates for hotel rooms also increased an average of 6.0% between 2010 and 2014. The Los Angeles Tourism and Convention Board forecasts the demand for hotel rooms and average daily hotel room rates in Los Angeles County to increase an average of 2.3% and 4.5% per year, respectively, between 2014 and 2019.

Economic Outlook

The economic outlook for the United States, the State of California, and the Los Angeles CSA forms a basis for anticipated growth in airline traffic at the Airport. Economic activity in the Los Angeles CSA and the State is directly linked to the production of goods and services in the United States and the world. Both airline travel and the movement of cargo through the Airport depend on the economic linkages between and among the regional, State, national, and global economies. The economic and other assumptions underlying the forecasts of enplaned passengers are based on a review of national, State, and regional economic outlooks as well as an analysis of historical socioeconomic trends and airline traffic trends.

Global Economy. Globalization of the world economy has linked national economies, with positive impacts on travel as well as trade. The Los Angeles CSA and the State are strongly connected to the global economy through a number of industry sectors and the seven world regions (Asia, Canada, Europe, Mexico, Latin America/the Caribbean, the Middle East/Africa, and the South Pacific) currently served at the Airport. The economic growth of these world regions, in terms of Gross Domestic Product (GDP), is directly related to the growth in air travel. According to IHS Global Insight, world GDP, in 2010 dollars, is forecast to increase an average of 3.3% per year between 2014 and 2021.* Continued growth in the economies of the world regions most closely aligned with the Los Angeles CSA economy and airline service at the Airport are expected to contribute to continued growth in Airport passenger traffic.

U.S. Economy. The U.S. economy has grown at a slow to moderate pace since the 2008-2009 economic recession. The Congressional Budget Office (CBO) forecasts stronger economic growth in 2015 than in 2014, with GDP forecast to increase 2.9% compared with 2.3% in 2014. Thereafter, the CBO forecasts economic growth of 3.0% percent in 2016 and 2.7% in 2017, before settling into a longer-term 2.2% rate of growth through 2021.** The CBO expects the U.S. unemployment rate to average 5.4% through 2021.

California and Los Angeles CSA Economy. The Economic Analysis Branch of the California Department of Transportation publishes county-level projections of demographic and economic variables through 2040. According to Caltran's forecast, continued economic growth is forecast for the Los Angeles CSA and the State between 2014 and 2021, including:

- Population growth of 1.0% per year
- Nonagricultural employment growth of 1.4% per year
- Per capita income growth, in constant dollars, of 2.1% per year

A favorable long-term economic outlook for the Los Angeles CSA is supported by its growing population, well-educated work force, high per capita income, diverse local economy, popularity as a domestic and international tourist destination, and its strong competitive position in the key industry clusters described earlier.

Economic Basis for Airline Traffic Forecasts. Airline traffic growth at the Airport is expected to be influenced by economic growth in the Los Angeles CSA and (1) the role of the Los Angeles CSA as a center of international trade and travel, (2) its popularity as a domestic and international tourist destination and its substantial tourism and hospitality infrastructure, (3) the continued diversity in the economic base and growth in the existing and emerging Los Angeles CSA industry clusters described earlier, which lessens its vulnerability to weaknesses in particular industry sectors, and (4) continued reinvestment to support the development of tourism, conventions, and other businesses. This outlook is reflected in the "Airline Traffic Forecasts" section of this Report.

HISTORICAL AIRLINE SERVICE AND TRAFFIC

Airlines serving the Airport, enplaned passenger trends, airline shares of passengers, origin-destination markets, airline service at the Airport, and airline fares and yields are discussed in this section.

Airlines Serving the Airport

As of August 2015, 27 U.S. passenger airlines provided service at the Airport, including 5 network airlines, 8 regional airlines, 7 low cost carriers, and 7 non-scheduled airlines, as shown in Table 8. International passenger service was provided by 45 foreign-flag airlines, including 13 Asian airlines,

*IHS Global Insight as reported in Federal Aviation Administration, FAA Aerospace Forecasts, Fiscal Years 2015 – 2035, www.faa.gov, March 2015.

**Congressional Budget Office, Economic Outlook: Fiscal Years 2015-2025, January 2015, www.cbo.gov.

13 European airlines, 5 South Pacific airlines, 5 Latin American/Caribbean airlines, 5 Middle East/African airlines, 2 Mexican airlines, and 2 Canadian airlines. In addition, 27 airlines provided all-cargo service.

Table 8

PASSENGER AIRLINES SERVING LOS ANGELES

U.S. airlines	Foreign-flag airlines	
Network airlines *(a)*	Asia	Europe
Alaska	Air China	Aeroflot
American	All Nippon	Air Berlin
Delta	Asiana	Air France
Hawaiian	Cathay Pacific	Alitalia
United	China	British Airways
Regional airlines	China Eastern	El Al
Compass (American, Delta)	China Southern	Iberia
Envoy (American)	Eva	KLM
ExpressJet (United)	Japan	Lufthansa
Great Lakes	Korean	Norwegian Air Shuttle
Horizon Air (Alaska)	Philippine	Swiss
Mesa (American)	Singapore	Transaero
Republic (American)	Thai	Virgin Atlantic
SkyWest (American, Delta, United)	South Pacific	Latin America/Caribbean
Low cost carriers *(b)*	Air New Zealand	Avianca/Taca
Allegiant	Air Tahiti Nui	Copa
Frontier	Fiji Airways	LACSA
JetBlue	Qantas	Lan Peru
Southwest	Virgin Australia	LATAM
Spirit	Middle East/Africa	Mexico
Sun Country	Emirates	Aeromexico
Virgin America	Ethiopian	Volaris
Nonscheduled airlines	Etihad	Canada
Clay Lacy	Saudi Arabian	Air Canada
Dynamic	Turkish	WestJet
Miami Air		
North American		
Omni Air International		
Skybird Aviation		
TEM Enterprises (Extra Airways)		

(a) Network airlines rely on a hub-and-spoke system and affiliations with regional airlines to provide service.

(b) As defined by the U.S. Department of Transportation, low cost carriers operate under a generally recognized low-cost business model, which may include a single passenger class of service, standardized aircraft utilization, limited in-flight services, use of smaller and less expensive airports, and lower employee wages and benefits.

Sources: OAG Aviation Worldwide Ltd., online database, accessed August 2015 and Los Angeles International Airport records.

Enplaned Passenger Trends

Table 9 presents historical trends in enplaned passengers at the Airport between FY 2005 and FY 2015. The number of enplaned passengers increased an average of 1.7% between FY 2005 and FY 2015, with stronger growth between FY 2010 and FY 2015 (an average increase of 4.5% per year). International passenger traffic increased an average of 3.2% per year between FY 2005 and FY 2015, compared with an average increase of 1.3% per year in domestic passengers. O&D passengers accounted for 76.5% of total enplaned passengers in FY 2015; connecting passengers accounted for the remaining 23.5%.

Table 9
HISTORICAL ENPLANED PASSENGERS

Fiscal Year	Enplaned passengers					Percent of total	
	Domestic	International	Total	O&D *(a)*	Connecting	O&D *(a)*	Connecting
2005	22,143,442	8,404,809	30,548,251	24,374,725	6,173,526	79.8%	20.2%
2006	22,030,697	8,624,449	30,655,146	24,287,897	6,367,249	79.2	20.8
2007	22,374,333	8,429,137	30,803,470	24,185,322	6,618,148	78.5	21.5
2008	22,427,379	8,714,960	31,142,339	24,670,564	6,471,775	79.2	20.8
2009	20,662,591	7,666,428	28,329,019	22,562,516	5,766,503	79.6	20.4
2010	21,127,610	7,875,532	29,003,142	22,773,573	6,229,569	78.5	21.5
2011	22,151,724	8,128,847	30,280,571	23,346,404	6,934,167	77.1	22.9
2012	23,019,578	8,497,339	31,516,917	24,107,940	7,408,977	76.5	23.5
2013	23,855,876	8,668,302	32,524,178	25,030,199	7,493,979	77.0	23.0
2014	25,016,409	9,316,116	34,332,525	26,270,489	8,062,036	76.5	23.5
2015	26,237,839	9,883,929	36,121,768	27,639,578	8,482,190	76.5 *(b)*	23.5 *(b)*
	Percent increase (decrease)						
2005-2006	(0.5%)	2.6%	0.3%	(0.4%)	3.1%		
2006-2007	1.6	(2.3)	0.5	(0.4)	3.9		
2007-2008	0.2	3.4	1.1	2.0	(2.2)		
2008-2009	(7.9)	(12.0)	(9.0)	(8.5)	(10.9)		
2009-2010	2.3	2.7	2.4	0.9	8.0		
2010-2011	4.8	3.2	4.4	2.5	11.3		
2011-2012	3.9	4.5	4.1	3.3	6.8		
2012-2013	3.6	2.0	3.2	3.8	1.1		
2013-2014	4.9	7.5	5.6	5.0	7.6		
2014-2015	4.9	6.1	5.2	5.3	4.8		
	Compound annual percent increase (decrease)						
2005-2010	(0.9%)	(1.3%)	(1.0%)	(1.3%)	0.2%		
2010-2015	4.4	4.6	4.5	3.9	6.4		
2005-2015	1.7	1.6	1.7	1.3	3.2		

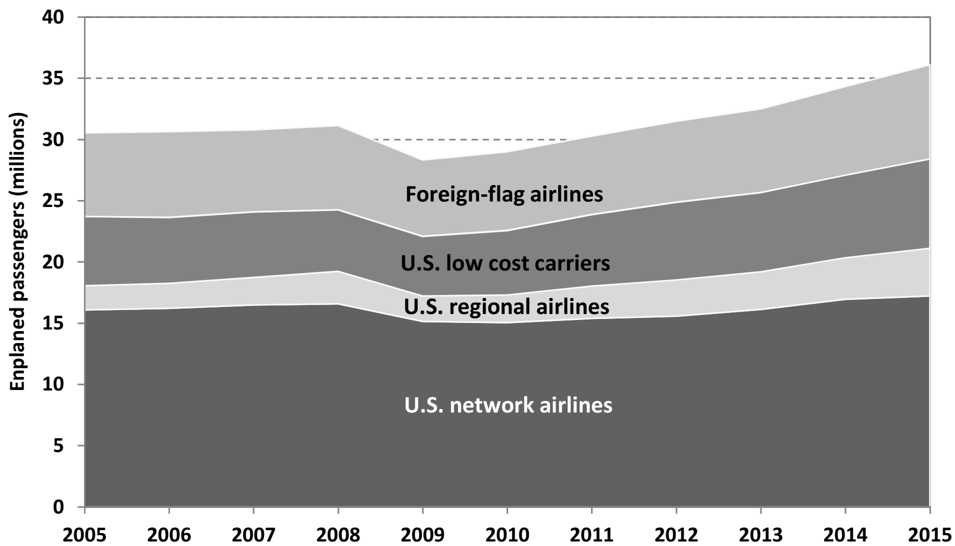
Note: For Fiscal Years ended June 30
O&D = Origin-destination

(a) Includes passengers making connections from one international flight to another on foreign-flag airlines.
(b) Estimated based on data for July through March 2014.

Sources: Los Angeles International Airport records and U.S. Department of Transportation, *Origin-Destination Survey of Airline Passenger Traffic, Domestic*, DOT Analyser online database, accessed September 2015.

As shown on Figure 8, the distribution of passenger traffic at the Airport has remained relatively unchanged since FY 2005, with gradual increases in the number of passengers enplaned on regional airlines and low cost carriers. As shown in Table 8, seven of the eight regional airlines serving the Airport are affiliated with and provide service for a network airline.

Figure 8
HISTORICAL ENPLANED PASSENGERS
Los Angeles International Airport



Note: For Fiscal Years ended June 30.
Data for U.S. regional airlines are not reported separately in Airport records and were estimated by LeighFisher using U.S. Department of Transportation T100 data.

Source: Los Angeles International Airport records.

Enplaned Passenger Market Shares

The airlines serving LAX are diverse, with no single airline accounting for 20% of total enplaned passengers. In FY 2015, American (including US Airways) accounted for 18.8% of all passengers enplaned at the Airport, slightly less than its FY 2011 share (19.4%), as shown in Table 10 and on Figure 9. United accounted for the second largest share with 17.2%, followed by Delta with 16.7%, and Southwest with 11.7%. Compared with many other large U.S. hub airports, LAX exhibits a relatively low degree of airline concentration.

Between FY 2011 and FY 2015, network airlines and their regional affiliates accounted for more than half of the increase in passenger traffic at the Airport, notwithstanding a decrease in share from 59.6% in FY 2011 to 58.5% in FY 2015. The shares of low-cost carriers* increased from 19.3% in FY 2011 to 20.2% in FY 2015, while the shares of foreign-flag airlines remained relatively unchanged.

*Low cost carriers (LCCs) include Allegiant, Frontier, JetBlue, Southwest/AirTran, Spirit, Sun Country, and Virgin America.

Table 10

ENPLANED PASSENGERS BY AIRLINE

Los Angeles International Airport

Airline	Enplaned passengers FY 2011	Enplaned passengers FY 2015	Percent of total FY 2011	Percent of total FY 2015
U.S. airlines				
Network and regional airlines *(a)*				
American *(b)*	4,304,325	5,556,523	14.2%	15.4%
US Airways	981,885	1,201,325	3.2	3.3
American Eagle/Envoy	536,346	41,261	1.8	0.1
Subtotal—American/US Airways	5,822,556	6,799,109	19.2%	18.8%
United *(c)*	6,478,039	6,225,103	21.4	17.2
Delta *(d)*	3,441,646	6,020,280	11.4	16.7
Alaska	1,656,428	1,652,816	5.5	4.6
Hawaiian	240,006	422,871	0.8	1.2
All other	400,290	10,207	1.3	0.0
Subtotal—network and regionals	18,038,965	21,130,386	59.6%	58.5%
Low-cost carriers				
Southwest	3,512,432	4,212,706	11.6%	11.7%
AirTran	298,698	17,546	1.0	0.0
Subtotal—Southwest/AirTran	3,811,130	4,230,252	12.6%	11.7%
Virgin America	1,085,506	1,534,368	3.6	4.2
JetBlue	264,531	570,938	0.9	1.6
Spirit	139,504	510,478	0.5	1.4
All other	534,420	443,410	1.8	1.2
Subtotal—low-cost carriers	5,835,091	7,289,446	19.3%	20.2%
Total—U.S. airlines	23,874,056	28,419,832	78.8%	78.7%
Foreign-flag airlines				
Qantas	571,004	614,333	1.9%	1.7%
Air Canada	438,868	597,050	1.4	1.7
Aeromexico	269,479	402,416	0.9	1.1
Cathay Pacific	254,191	337,043	0.8	0.9
Air New Zealand	340,567	336,537	1.1	0.9
British Airways	274,372	296,368	0.9	0.8
Korean	332,593	293,193	1.1	0.8
Air France	254,579	288,789	0.8	0.8
Lufthansa	237,723	277,103	0.8	0.8
Eva	203,575	270,524	0.7	0.7
All other	3,229,564	3,988,580	10.7	11.0
Subtotal—foreign-flag airlines	6,406,515	7,701,936	21.2%	21.3%
Airport total	30,280,571	36,121,768	100.0%	100.0%

Note: For Fiscal Years ended June 30.

(a) A portion of SkyWest passengers in FY 2011 were not able to be grouped with their mainline airline partner and are included in the "other" category.

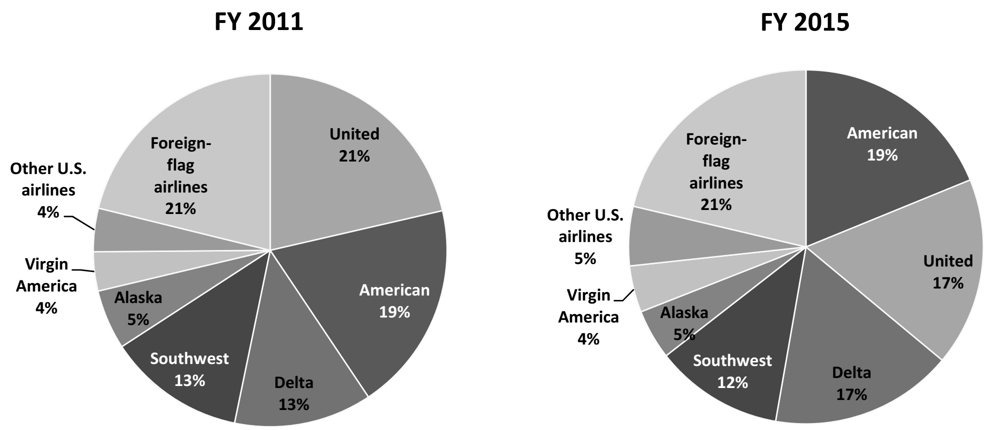
(b) Includes SkyWest as American.

(c) Includes SkyWest and Continental as United.

(d) Includes SkyWest as Delta.

Source: Los Angeles International Airport records.

Figure 9
AIRLINE MARKET SHARES OF ENPLANED PASSENGERS
Los Angeles International Airport



Note: For Fiscal Years ended June 30
Data for merged airlines are reported together, i.e., American and US Airways, Southwest and AirTran, and United and Continental.

Source: Los Angeles International Airport records.

Domestic Origin-Destination Markets

In FY 2014, the top 20 domestic passenger markets accounted for 69.7% of domestic O&D passengers at the Airport, as shown in Table 11. New York and San Francisco are the top two destination markets for O&D passengers at the Airport, accounting for 11.3% and 10.1%, respectively, of domestic O&D passengers at the Airport in FY 2014. Other major destinations include Chicago, Washington, D.C., and Seattle. Each of the top 20 domestic destinations is served nonstop from the Airport in August 2015, with service provided by 4 or more airlines to 17 of the top 20 markets, as shown in Table 11.

International Origin-Destination Markets

In FY 2014, the top 20 international passenger markets at LAX accounted for 51.0% of the total international O&D passenger bookings,* as shown in Table 12. London, England, is the largest O&D market with 4.6% of international O&D passenger bookings, followed by Guadalajara, Mexico (4.4%), Tokyo, Japan (3.9%), Seoul, Korea (3.7%), and Vancouver, Canada (3.3%). Each of the top 20 international destinations was served nonstop from the Airport in August 2015, with service provided by 2 or more airlines to 17 of the top 20 markets, as shown in Table 12.

*As defined by the International Air Transport Association (IATA), a passenger airline "booking," equivalent to the term "reservation," means the allotment in advance of seating accommodation for a passenger. IATA, *Passenger Glossary of Terms*, www.iata.org.

Table 11
DOMESTIC ORIGIN-DESTINATION PATTERNS AND AIRLINE SERVICE
Los Angeles International Airport

Rank	Origin-destination market	Air miles from Los Angeles	Percent of domestic O&D passengers FY 2014	Average daily scheduled nonstop departures August 2015	Number of airlines
1	New York *(a)*	2,458	11.3%	56	5
2	San Francisco *(b)*	327	10.1	101	5
3	Chicago *(c)*	1,744	5.0	34	6
4	Washington DC *(d)*	2,302	4.5	19	6
5	Seattle	954	3.7	27	4
6	Las Vegas	235	3.6	34	6
7	Dallas/Fort Worth *(e)*	1,237	3.2	33	6
8	Miami *(f)*	2,337	3.1	15	5
9	Honolulu	2,551	3.1	19	5
10	Boston	2,604	3.0	15	5
11	Denver	860	3.0	24	5
12	Atlanta	1,941	2.4	20	5
13	Houston *(g)*	1,381	2.2	22	4
14	Philadelphia	2,395	1.9	6	1
15	Phoenix	369	1.8	26	5
16	Orlando	2,212	1.7	8	4
17	Portland	834	1.6	15	3
18	Detroit	1,973	1.6	7	2
19	Minneapolis-St. Paul	1,532	1.5	13	4
20	Salt Lake City	590	1.4	17	5
	Cities listed		69.7%	511	
	Other cities		30.3	208	
	All cities		100.0%	719	

Note For Fiscal Years ended June 30
Low cost carriers (LCCs) include Allegiant, Frontier, JetBlue, Southwest/AirTran, Spirit, Sun Country, and Virgin America.

(a) Newark Liberty International, LaGuardia, and John F. Kennedy International airports.
(b) San Francisco, Oakland, and Mineta San Jose international airports.
(c) Chicago O'Hare and Midway International airports.
(d) Reagan Washington National, Baltimore/Washington International Thurgood Marshall, and Washington Dulles International airports.
(e) Dallas Fort Worth International Airport and Love Field.
(f) Miami and Fort Lauderdale international airports.
(g) Bush Intercontinental Airport /Houston and William P. Hobby airports.

Sources: O&D percentage: U.S. Department of Transportation, *Origin-Destination Survey of Airline Passenger Traffic*, *Domestic*, online database, accessed July 2015. Departures: OAG Aviation Worldwide Ltd., online database, accessed July 2015.

Table 12

INTERNATIONAL ORIGIN-DESTINATION PATTERNS AND AIRLINE SERVICE

Los Angeles International Airport

Rank	Origin-destination market	Air miles from Los Angeles	Percent of international O&D passengers In FY 2014	Average daily scheduled nonstop departures August 2015	Number of airlines
1	London *(a)*	5,453	4.6%	10	7
2	Guadalajara	1,307	4.4	9	5
3	Tokyo *(b)*	5,456	3.9	8	6
4	Seoul *(c)*	5,979	3.7	5	3
5	Vancouver	1,081	3.3	13	6
6	Mexico City *(d)*	1,552	3.1	9	4
7	Taipei *(e)*	6,785	2.9	5	2
8	Shanghai *(f)*	6,470	2.7	5	4
9	Toronto	2,170	2.4	9	2
10	Manila	7,292	2.3	2	1
11	San Jose del Cabo	911	2.2	5	3
12	Cancun	2,115	2.1	5	3
13	Paris *(g)*	5,653	2.1	4	2
14	Sydney	7,491	2.1	5	4
15	Hong Kong	7,246	2.0	4	1
16	Beijing	6,235	1.9	3	1
17	San Salvador	2,319	1.5	4	2
18	Guatemala City	2,193	1.3	2	2
19	Melbourne	7,923	1.3	3	2
20	Calgary	1,205	1.2	4	2
	Cities listed		51.0%	114	
	Other cities		49.0	55	
	All cities		100.0%	169	

Note: For Fiscal Years ended June 30
Data are for international O&D passenger bookings.

(a) Heathrow, Gatwick, Stanstead, and London City airports.
(b) Haneda and Narita airports.
(c) Incheon and Gimpo airports.
(d) Juarez and Toluca airports.
(e) Taoyuan and Sung Shan airports.
(f) Pudong and Hongqiao airports.
(g) Charles de Gaulle and Orly airports.

Sources: OAG Aviation Worldwide Ltd, OAG Analyser database and OAG Traffic database, accessed August 2015.

Airline Airfares

Table 13 provides a comparison of average domestic one-way airfares paid at the Airport in FY 2014 with the airfares at the four other primary airports in the Los Angeles CSA.* LAX airfares are competitive, with only 4 of LAX's top 20 domestic passenger markets—New York, Washington, D.C., Miami, and Portland—having the highest airfares. LAX airfares were lowest to Dallas/Fort Worth, Denver, and Minneapolis/St. Paul.

LAX accounted for 75% or more of domestic O&D passengers in each of its 11 long-haul markets (1,500 miles or more) in FY 2014, reflecting its role in providing service for longer domestic trips in the Los Angeles CSA, as shown in Table 13. LAX's medium-haul markets accounted for 40% to 69% of domestic O&D passengers at the five primary airports in the Los Angeles CSA, while short-haul markets accounted for a considerable but smaller share (36% to 50%).

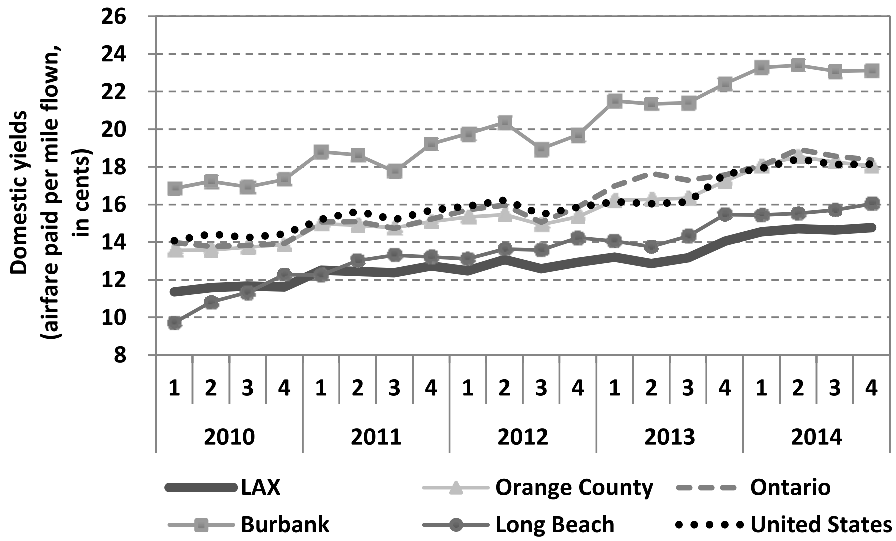
As shown in Table 13, LAX accounted for 70% of first and business class domestic fare revenue at the five primary airports in the Los Angeles CSA in FY 2014. Long Beach Airport accounted for the next largest share with 23%. The percent of first and business class domestic fare revenue is greatest in LAX's long-haul markets, with 63% to 99% of total domestic fare revenue.

Airline Yields

Recent trends in airline yields, the airfare paid per mile flown, for domestic flights at the Los Angeles CSA airports are shown on Figure 10. Between 2010 and 2014, domestic airline yields at LAX and in the nation as a whole increased 27%, compared with larger increases at the other Los Angeles CSA airports: Orange County (33%), Ontario (33%), Burbank (36%), and Long Beach (42%). Differences in yield among the Los Angeles CSA airports reflect differences in the average length of passenger trips. For example, LAX's domestic yields are lower than the other Los Angeles CSA airports, in part because its average passenger trip length is more than 1,600 miles, about 30% longer than the average passenger trip length at the other airports. LAX's large share of first and business class domestic fare revenue, particularly in its long-haul markets, serves to offset the effects of lower yields on longer domestic trips.

*The fares that airlines report to the U.S. DOT are exclusive of many ancillary charges (fees for checked baggage and preferred aircraft seating, for example) and, given the rapid rise in such fees beginning in 2008, increasingly understate the consumer's real cost of airline travel.

Figure 10
AIRLINE YIELDS FOR DOMESTIC FLIGHTS
Los Angeles CSA Airports



Source: U.S. Department of Transportation, *Origin-Destination Survey of Airline Passenger Traffic*, *Domestic*, online database, accessed August 2015.

Table 13

COMPARISON OF AIRFARES IN LAX'S TOP DOMESTIC ORIGIN-DESTINATION MARKETS IN FY 2014

Los Angeles CSA Airports

Rank	Market	Length of haul	LAX percent of domestic O&D passengers for five airports	Average one-way domestic airfare paid					LAX percent of first/business class fare revenue for five airports
				Los Angeles	Orange County	Ontario	Burbank	Long Beach	
1	New York *(a)*	Long	86%	$305	$293	$224	$202	$220	85%
2	San Francisco *(b)*	Short	46	103	110	106	115	83	25
3	Chicago *(c)*	Long	76	201	215	199	187	205	85
4	Washington DC *(d)*	Long	82	248	242	229	228	200	67
5	Seattle	Medium	48	133	149	133	142	117	20
6	Las Vegas	Short	50	91	120	99	102	71	16
7	Dallas/Fort Worth *(e)*	Medium	68	182	213	208	205	204	77
8	Miami	Long	92	234	223	216	196	188	98
9	Honolulu	Long	99	265	361	395	286	237	99
10	Boston	Long	85	244	254	245	218	215	83
11	Denver	Medium	55	133	133	159	143	155	76
12	Atlanta	Long	77	247	259	230	227	237	93
13	Houston *(f)*	Medium	69	217	229	235	205	191	81
14	Philadelphia	Long	85	242	253	232	240	256	92
15	Phoenix	Short	36	116	124	115	113	106	47
16	Orlando	Long	79	233	224	213	234	178	63
17	Portland	Medium	40	135	135	127	129	107	13
18	Detroit	Long	81	248	234	240	258	243	87
19	Minneapolis-St. Paul	Long	75	205	256	232	214	233	76
20	Salt Lake City	Medium	45	156	174	178	176	131	8
	Cities listed		64	201	162	149	128	119	70
	Other cities		66	213	201	201	170	136	68
	All cities		65	205	174	168	138	124	70

Note: For Fiscal Years ended June 30

For the purposes of this Report, short-haul flights are 500 miles or less, medium-haul flights are 501 to 1,500 miles, and long haul flights are more than 1,500 miles.

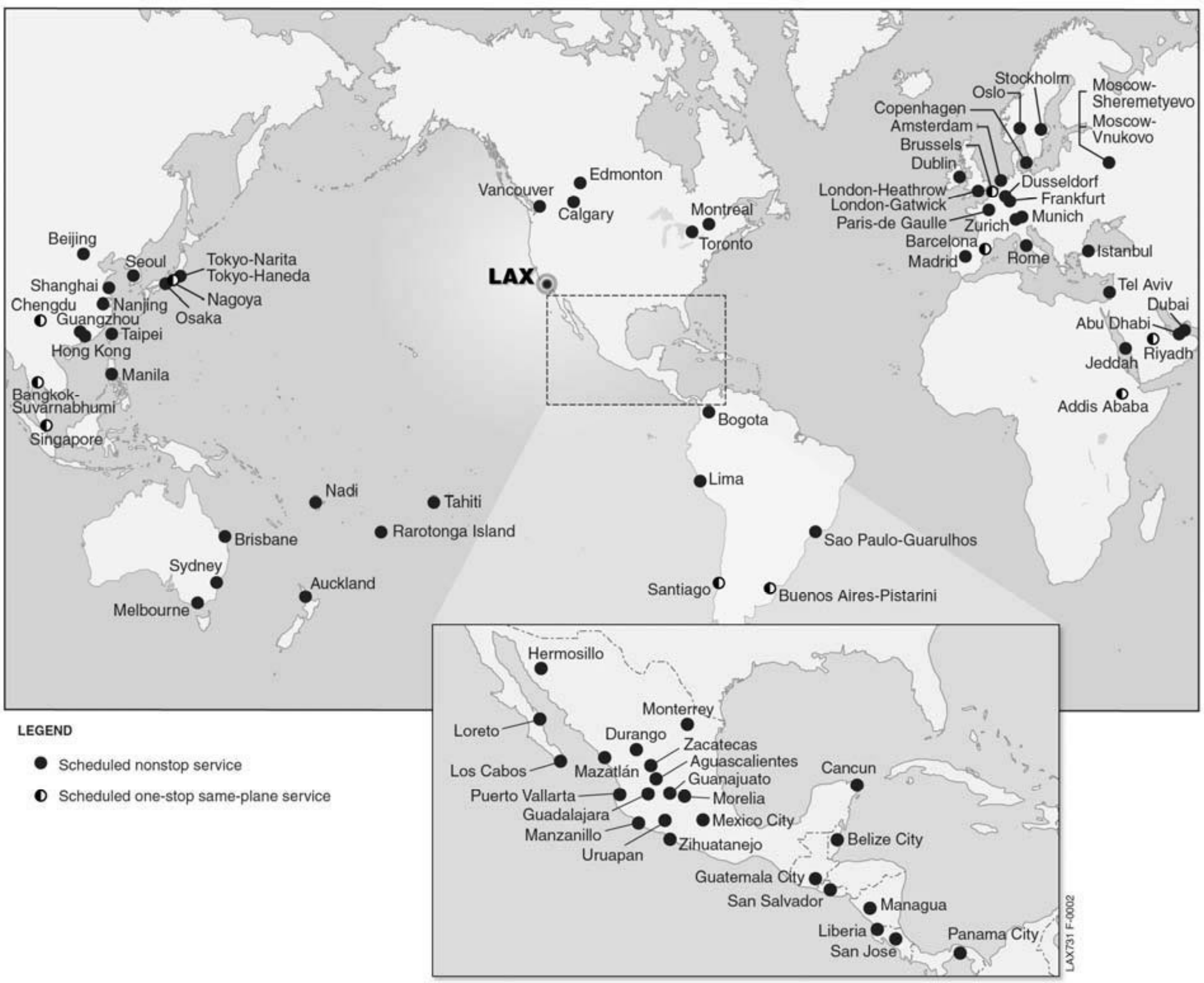
(a) Newark Liberty International, LaGuardia, and John F. Kennedy International airports.
(b) San Francisco, Oakland, and Mineta San Jose international airports.
(c) Chicago O'Hare and Midway International airports.
(d) Reagan Washington National, Baltimore/Washington International Thurgood Marshall, and Washington Dulles International airports.
(e) Dallas/Fort Worth International Airport and Love Field.
(f) Miami and Fort Lauderdale international airports.
(g) Bush Intercontinental Airport /Houston and William P. Hobby Airports.

Source: O&D percentage: U.S. Department of Transportation, *Origin-Destination Survey of Airline Passenger Traffic*, *Domestic*, online database, accessed July 2015.

Airline Service

In August 2015, LAX provided a total of 888 scheduled daily departures, including 719 domestic departures and 169 international departures. LAX provides international service to seven international regions—Asia, Canada, Europe, Latin America/the Caribbean, Mexico, the Middle East/Africa, and the South Pacific—as shown on Figure 11.

Figure 11
INTERNATIONAL SCHEDULED AIRLINE SERVICE IN AUGUST 2015
Los Angeles International Airport



Source: OAG Aviation Worldwide Ltd, OAG Schedules database, accessed August 2015.

KEY FACTORS AFFECTING FUTURE AIRLINE TRAFFIC

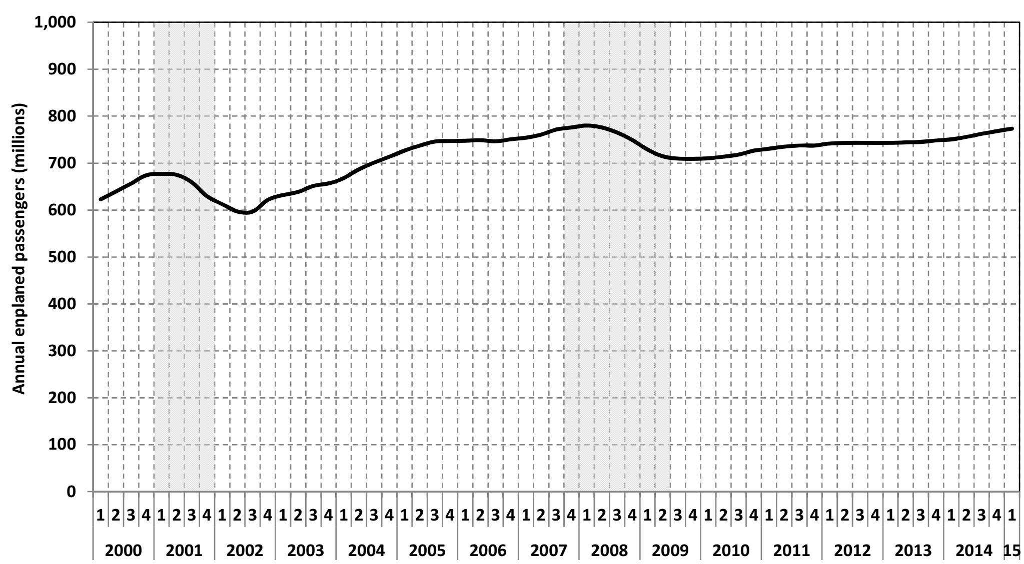
In addition to the economy and demographics of the Airport service region, discussed earlier, key factors affecting future airline traffic at the Airport include:

- Economic and political conditions
- The financial health of the airline industry
- Airline service and routes
- Airline competition and airfares
- Airline consolidation and alliances
- The availability and price of aviation fuel
- Aviation safety and security concerns
- The capacity of the national air traffic control system
- The capacity of the Airport, and
- High Speed Rail in California

Economic and Political Conditions

Historically, airline passenger traffic nationwide has correlated closely with the state of the U.S. economy and levels of real disposable income. As illustrated in Figure 12, recessions in the U.S. economy in 2001 and 2008–2009 and associated high unemployment reduced discretionary income and contributed to a reduction in airline travel demand in those years.

Figure 12
HISTORICAL ENPLANED PASSENGERS ON U.S. AIRLINES



Note: Data shown are for 12-month moving averages of monthly enplaned passengers and include scheduled and non-scheduled service to domestic and international destinations.
Shaded quarters indicate economic recession during all or part of quarter.

Sources: U.S. Department of Transportation, Bureau of Transportation Statistics, T-100 Market and Segment, www.rita.dot.gov, accessed September 2015.
National Bureau of Economic Research, US Business Cycle Expansions and Contractions, www.nber.org.

With the globalization of business and the increased importance of international trade and tourism, the U.S. economy has become more closely tied to worldwide economic, political, and social conditions. As a result, international economics, trade balances, currency exchange rates, political relationships, and hostilities all influence passenger traffic at major U.S. airports. Sustained future increases in passenger traffic at the Airport will depend on stable international conditions as well as national and global economic growth.

Financial Health of the Airline Industry

The number of passengers using the Airport will depend partly on the profitability of the U.S. airline industry and the associated ability of the industry and individual airlines to make the necessary investments to provide service.

As a result of the 2001 economic recession, the disruption of the airline industry that followed the September 2001 attacks, increased fuel and other operating costs, and price competition, the industry experienced huge financial losses. In 2001 through 2005, the major U.S. passenger airlines collectively recorded net losses of approximately $61 billion. To mitigate those losses, all of the major network airlines restructured their route networks and flight schedules and reached agreement with their employees, lessors, vendors, and creditors to cut costs, either under Chapter 11 bankruptcy protection or the possibility of such. Between 2002 and 2005, Delta Air Lines, Northwest Airlines, United Airlines, and US Airways all filed for bankruptcy protection and restructured their operations.

In 2006 and 2007, the U.S. passenger airline industry as a whole was profitable, recording net income of approximately $23 billion, but in 2008, as oil and aviation fuel prices increased to unprecedented levels, the industry experienced a profitability crisis. In 2008 and 2009, the U.S. passenger airline industry recorded net losses of approximately $27 billion. The industry responded by, among other actions, grounding less fuel-efficient aircraft, eliminating unprofitable routes and hubs, reducing seat capacity, and increasing airfares. Between 2007 and 2009, U.S. passenger airlines collectively reduced domestic capacity (as measured by available seat-miles) by approximately 10%.

In 2010 through 2013, the U.S. passenger airline industry as a whole recorded net income of approximately $15 billion, in spite of sustained high fuel prices, by controlling capacity and nonfuel expenses, increasing airfares, recording high load factors, and increasing ancillary revenues.[*] Over the four years from 2009 to 2013, the airlines collectively increased domestic seat-mile capacity by an average of just 1.0% per year.[**] In 2014, the U.S. passenger airline industry reported net income of approximately $7.4 billion, assisted by reduced fuel prices in the second half of the year, a trend which has continued during the first half of 2015.

Sustained industry profitability will depend on, among other factors, economic growth to support airline travel demand, continued capacity control to allow increased airfares, and stable fuel prices. Consolidation of the U.S. airline industry has resulted from the acquisition of Trans World by American (2001), the merger of US Airways and America West (2005), the merger of Delta and Northwest (2009), the merger of United and Continental (2009), the acquisition of AirTran by Southwest (2011), and the merger of American and US Airways (2013). Such consolidation has resulted in four airlines (American,

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[*] U.S. Department of Transportation, Bureau of Transportation Statistics, Schedule P1.2, www.transtats.bts.gov, accessed August 2015.

[**] U.S. Department of Transportation, Bureau of Transportation Statistics, T-100 Market and Segment, www.transtats.bts.gov, accessed August 2015.

Delta, Southwest, and United) accounting for approximately 72% of domestic seat capacity in 2014 and is expected by airline industry analysts to contribute to industry profitability. However, any resumption of financial losses could cause U.S. airlines to seek bankruptcy protection or liquidate. The liquidation of any of the large network airlines would drastically affect airline service at certain connecting hub airports, present business opportunities for the remaining airlines, and change airline travel patterns nationwide.

Airline Service and Routes

Most large airports serve as gateways to their communities and as connecting points. The number of origin and destination passengers at an airport depends on the intrinsic attractiveness of the region as a business and leisure destination, the propensity of its residents to travel, and the airline fares and service provided. The number of connecting passengers, on the other hand, depends entirely on the airline service provided. As discussed in the earlier section, "Enplaned Passengers," approximately 76% of passengers at the Airport are originating their journeys, with the remaining 24% connecting between flights.

The network airlines have developed hub-and-spoke systems that allow them to offer high-frequency service in many city-pair markets. Because most connecting passengers have a choice of airlines and intermediate airports, connecting traffic at an airport depends on the route networks and flight schedules of the airlines serving that airport and competing hub airports. Since 2003, as the U.S. airline industry has consolidated, airline service has been or is being drastically reduced at many former connecting hub airports, including those serving St. Louis (American 2003-2005), Dallas-Fort Worth (Delta 2005), Pittsburgh (US Airways 2006-2008), Las Vegas (US Airways 2007-2010), Cincinnati (Delta 2009-2011), Memphis (Delta 2011-2013), and Cleveland (United 2014).

LAX is less susceptible to the potential impacts of an airline bankruptcy due to its relatively low degree of airline concentration compared with many other large U.S. hub airports and its large population and O&D passenger traffic base which would likely be served by other airlines at the Airport.

Airline Competition and Airfares

Airline fares have an important effect on passenger demand, particularly for relatively short trips for which the automobile and other travel modes are potential alternatives, and for price-sensitive "discretionary" travel. The price elasticity of demand for airline travel increases in weak economic conditions when the disposable income of potential airline travelers is reduced. Airfares are influenced by airline capacity and yield management; passenger demand; airline market presence; labor, fuel, and other airline operating costs; taxes, fees, and other charges assessed by governmental and airport agencies; and competitive factors. Future passenger numbers, both nationwide and at the Airport, will depend, in part, on the level of airfares.

Overcapacity in the industry, the ability of consumers to compare airfares and book flights easily via the Internet, and other competitive factors combined to reduce airfares between 2000 and 2005. During that period, the average domestic yield for U.S. airlines decreased from 14.9 cents to 12.7 cents per passenger-mile. In 2006 through 2008, as airlines reduced capacity and sustained fare increases, the average domestic yield increased to 14.8 cents per passenger-mile. In 2009, yields again decreased, but, beginning in 2010, as airline travel demand increased and seat capacity was restricted, yields increased to 18.2 cents per passenger-mile by 2014.* Beginning in 2006, most airlines introduced ancillary charges for services such as checked baggage, preferred seating, in-flight meals, and entertainment, thereby increasing the effective price of airline travel more than these yield figures indicate. From 2007 through the second quarter of 2015, U.S. airlines collected more than $42.8 billion in baggage and reservation cancellation fees, according to data reported by the Bureau of Transportation Statistics.

Airline Consolidation and Alliances

In response to competitive pressures, the U.S. airline industry has consolidated. Among the significant mergers and combinations were:

- In April 2001, American completed an acquisition of failing Trans World Airlines
- In September 2005, US Airways and America West Airlines merged
- In October 2009, Republic Airways Holdings completed purchases of Frontier and Midwest airlines
- In December 2009, Delta and Northwest merged
- In October 2010, United and Continental completed a merger
- In May 2011, Southwest completed its acquisition of AirTran, and integrated operations in 2014, and
- In December 2013, American and US Airways completed their merger, and the merged airline has stated its intention to maintain all hubs in the combined system.

Alliances, joint ventures, and other marketing arrangements provide airlines with many of the advantages of mergers; most of the largest U.S. airlines are members of such alliances with foreign-flag airlines. Alliances typically involve marketing, code sharing, and scheduling arrangements to facilitate the transfer of passengers between the airlines. Joint ventures involve even closer cooperation and the sharing of costs and revenues on designated routes.

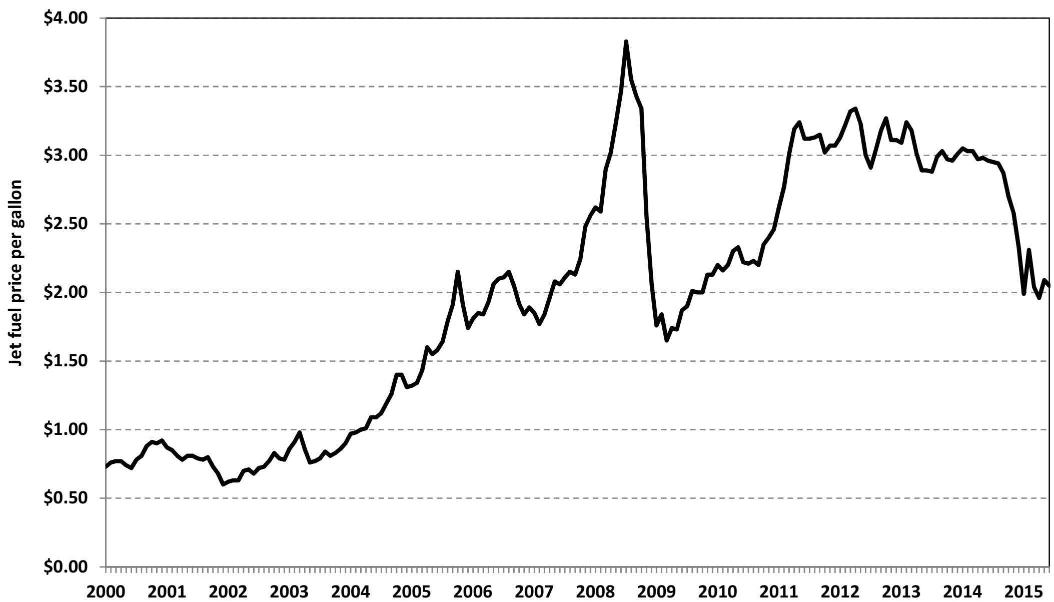
Availability and Price of Aviation Fuel

The price of aviation fuel is a critical and uncertain factor affecting airline operating economics. Fuel prices are particularly sensitive to worldwide political instability and economic uncertainty. Figure 13 shows the historical fluctuation in fuel prices since 2000. Beginning in 2003, fuel prices increased as a result of the invasion and occupation of Iraq; political unrest in other oil-producing countries; the growing economies of China, India, and other developing countries; and other factors influencing the demand for and supply of oil. By mid-2008, average fuel prices were three times higher than they were in mid-2004 and represented the largest airline operating expense, accounting for between 30% and 40% of expenses for most airlines. Fuel prices fell sharply in the second half of 2008 as demand declined worldwide, but increased as global demand increased between 2008 and 2011. From early 2011, fuel prices were relatively stable, partly as a result of increased supply from U.S. domestic production, although political instability and conflicts in North Africa and the Middle East contributed to volatility. As of mid-2014, average aviation fuel prices were approximately three times the prices prevailing at the

*U.S. Department of Transportation, *Origin-Destination Survey of Airline Passenger Traffic, Domestic*, OAG DOT Analyser online database, accessed August 2015.

end of 2003. However, since mid-2014, average aviation fuel prices have decreased 30%, reflecting continued growth in U.S. oil production, strong global supply, and weakening outlooks for the global economy and oil demand growth.

Figure 13
HISTORICAL AVIATION FUEL PRICES



Source: U.S. Department of Transportation, Bureau of Transportation Statistics, Airline Fuel Cost and Consumption (U.S. Carriers - Scheduled), January 2000 - June 2015, www.transtats.gov.

Airline industry analysts hold differing views on how oil and aviation fuel prices may change in the near term, particularly since an increase in supply from the United States and other oil producers has resulted in recent oil price declines relative to 2013 levels. Nevertheless, there is widespread agreement that fuel prices will continue to be volatile and are likely to increase over the long term as global energy demand increases in the face of finite and increasingly expensive oil supplies.

Aviation fuel prices will continue to affect airfares, passenger numbers, airline profitability, and the ability of airlines to provide service. Airline operating economics will also be affected as regulatory costs are imposed on the airline industry as part of efforts to reduce aircraft emissions contributing to global climate change.

Aviation Safety and Security Concerns

Concerns about the safety of airline travel and the effectiveness of security precautions influence passenger travel behavior and airline travel demand. Anxieties about the safety of flying and the inconveniences and delays associated with security screening procedures lead to both the avoidance of travel and the switching from air to surface modes of transportation for short trips. Public health and safety concerns have also affected airline travel demand from time to time.

Safety concerns in the aftermath of the September 2001 attacks were largely responsible for the steep decline in airline travel nationwide in 2002. Since 2001, government agencies, airlines, and airport operators have upgraded security measures to guard against changing threats and maintain confidence in the safety of airline travel. These measures include strengthened aircraft cockpit doors, changed flight crew procedures, increased presence of armed sky marshals, federalization of airport security functions under the Transportation Security Administration (TSA), more effective dissemination of information about threats, more intensive screening of passengers and baggage, and deployment of new screening technologies.

Historically, airline travel demand has recovered after temporary decreases stemming from terrorist attacks or threats, hijackings, aircraft crashes, public health and safety concerns, and international hostilities. Provided that precautions by government agencies, airlines, and airport operators serve to maintain confidence in the safety of commercial aviation without imposing unacceptable inconveniences for airline travelers, it can be expected that future demand for airline travel at the Airport will depend primarily on economic, not safety or security, factors.

Capacity of the National Air Traffic Control System

Demands on the national air traffic control system have, in the past, caused delays and operational restrictions affecting airline schedules and passenger traffic. The FAA is gradually implementing its Next Generation Air Transport System (NextGen) air traffic management programs to modernize and automate the guidance and communications equipment of the air traffic control system and enhance the use of airspace and runways through improved air navigation aids and procedures. Since 2007, airline traffic delays have decreased as a result of reduced numbers of aircraft operations, but, as airline travel increases in the future, flight delays and restrictions may be expected.

Capacity of the Airport

In addition to any future constraints that may be imposed by the capacity of the national air traffic control system, future growth in airline traffic at the Airport will depend on the capacity at the Airport itself. The LAX Specific Plan Amendment Study Process (Section V of the 2006 Stipulated Settlement) identified the use of no more than 153 gates through the end of 2015. In the Southern California Association of Governments Regional Transportation Plan, the overall practical capacity of LAX was defined as a range of 78.9 to 96.6 million annual passengers. The forecast is conditioned on the assumption that, during the forecast period, neither available airfield or terminal capacity, nor demand management initiatives, will constrain traffic growth at the Airport.

High Speed Rail in California

In November 2008, California voters passed a referendum authorizing the State to issue approximately $10 billion in bonds to fund the first phase of a high-speed electric train system. The California High-Speed Rail Authority plans a rail network stretching from Sacramento and San Francisco, through the Central Valley, to Los Angeles and San Diego. Construction of the initial part of the system, joining Merced with the San Fernando Valley, began in January 2015. Portions of the system involving stations in the Los Angeles area are not expected to be operational until after the forecast period considered in this Report.

AIRLINE TRAFFIC FORECASTS

Forecasts of enplaned passengers and landed weight at the Airport were developed considering analyses of the economic basis for airline traffic, analyses of historical airline traffic, and an assessment of the key factors that may affect future airline traffic, as discussed in earlier sections. In general, it was assumed that, in the long term, changes in airline traffic at the Airport will occur largely as a function of growth in the population and economy of the Los Angeles CSA, the role of LAX as an international gateway and trade center, the popularity of the Los Angeles CSA as a global tourist destination, and changes in airline service. It was also assumed that continued development of airline service at the Airport will not be constrained by the availability of aviation fuel, long-term limitations in airline aircraft fleet capacity, limitations in the capacity of the air traffic control system or the Airport, or government policies or actions that restrict growth. Recent and potential developments in the national economy and air transportation industry as they have affected or may affect airline traffic at the Airport were also considered.

Underlying Assumptions

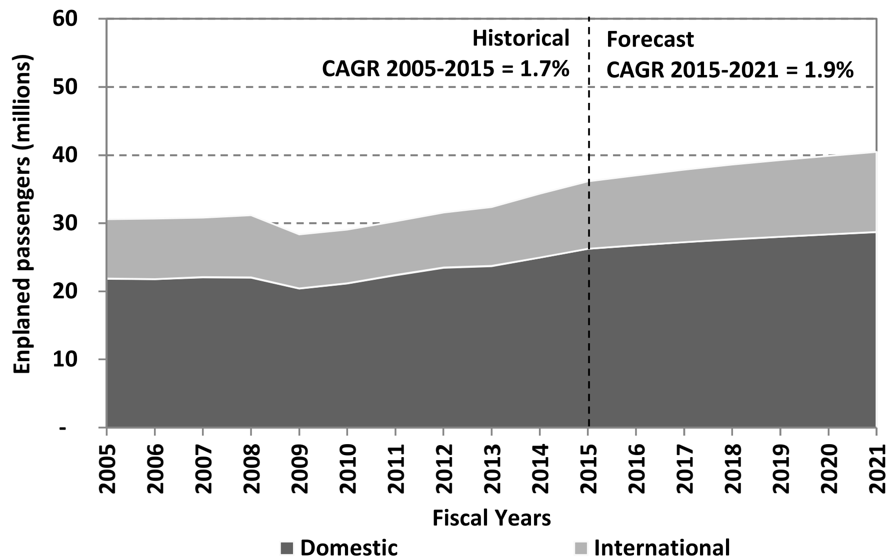
From FY 2015 through FY 2021, passenger numbers at the Airport are forecast to increase gradually on the basis of the following assumptions:

- Los Angeles will continue to be a center of international trade and commerce, supported by the continued role of LAX as an international gateway.
- Los Angeles will continue to be a major destination market for U.S. leisure and business travelers and a top global destination market for tourism, meetings, and conventions.
- The economy of the Los Angeles CSA will increase at a rate comparable to or greater than that of the State and nation as a whole.
- Visitors to the Los Angeles CSA will increase an average of 2.5% per year, with stronger growth in the number of international visitors.
- The mix of airlines serving the Airport will continue to be diverse and sufficient to meet O&D passenger demand at the Airport and in the Los Angeles CSA.
- The percentage of passengers connecting at the Airport will not change materially.
- The U.S. economy will experience sustained GDP growth averaging between 2.0% and 2.5% per year.
- There will be no major disruption of airline service or airline travel behavior as a result of airline bankruptcies or liquidations, international hostilities, terrorist acts or threats, or public health crises.
- Downward pressure on aviation fuel prices will continue in 2015 and 2016, with fuel prices returning to levels that are historically high but lower than the record prices reached in mid-2008.
- Competition among the airlines serving the Airport will ensure the continued availability of competitive airfares, and LAX will continue to be served by a broad array of U.S. and foreign flag airlines, with no significant increase in airline concentration.

Enplaned Passengers

From FY 2015 through FY 2021, the numbers of passengers enplaned at the Airport are forecast to increase an average of 1.9% per year, reaching approximately 40.5 million in FY 2021, as shown on Figure 14 and in Table 14. In its most recent *Terminal Area Forecast* for the Airport (published February 2015), the FAA forecasts an average annual increase of 2.5% in the number of enplaned passengers over the same period.

Figure 14
HISTORICAL AND FORECAST ENPLANED PASSENGERS
Los Angeles International Airport



Note: For Fiscal Years ending June 30
CAGR = Compound annual growth rate
This forecast was prepared on the basis of the information and assumptions given in the text. The achievement of any forecast is dependent upon the occurrence of future events which cannot be assured. Therefore, the actual results may vary from the forecast and the variance could be material.

Sources: Historical—Los Angeles International Airport records.
Forecast—LeighFisher, September 2015.

Landed Weight

From FY 2015 through FY 2021, aircraft landed weight at the Airport is forecast to increase an average of 1.7% per year to 60.7 million 1,000-pound units in FY 2021, as shown in Table 14. The forecast rate of growth in landed weight is lower than that for enplaned passengers, reflecting an assumed gradual increase in the enplaned passenger load factors and the average aircraft size, in terms of seats, at the Airport.

Table 14

AIRLINE TRAFFIC FORECASTS

Los Angeles International Airport

	Historical		Forecast						CAGR
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2015-FY 2021
Enplaned passengers (thousands)									
Domestic									
Network and regional airlines *(a)*	18,321	19,034	19,415	19,745	20,041	20,315	20,572	20,811	1.5%
Low cost carriers	6,704	7,261	7,406	7,532	7,645	7,749	7,847	7,939	1.5%
Subtotal—domestic	25,025	26,295	26,821	27,277	27,686	28,064	28,419	28,750	1.5%
International									
Asia	2,708	2,771	2,937	3,101	3,263	3,419	3,570	3,713	5.0%
Europe	1,608	1,739	1,782	1,820	1,851	1,875	1,892	1,901	1.5%
Canada	979	1,056	1,082	1,105	1,124	1,138	1,149	1,154	1.5%
Southwest Pacific	1,513	1,569	1,632	1,690	1,745	1,793	1,836	1,873	3.0%
Latin America/Caribbean	2,193	2,294	2,363	2,424	2,477	2,522	2,557	2,583	2.0%
Middle East/Africa	307	398	414	429	443	455	466	476	3.0%
Subtotal—international	9,307	9,827	10,210	10,570	10,902	11,203	11,470	11,700	3.0%
Total	34,333	36,122	37,031	37,847	38,588	39,267	39,889	40,450	1.9%
Annual percent increase (decrease)		5.2%	2.5%	2.2%	2.0%	1.8%	1.6%	1.4%	
Percent originating	76.5%	76.5%	76.5%	76.5%	76.5%	76.5%	76.5%	76.5%	
Percent connecting	23.5%	23.5%	23.5%	23.5%	23.5%	23.5%	23.5%	23.5%	
Landed weight (1,000-pound units)									
Passenger airlines									
Domestic									
Network and regional airlines *(a)*	22,293,525	22,278,197	22,884,755	23,131,125	23,334,200	23,507,782	23,659,323	23,788,358	1.1%
Low cost carriers	8,003,656	8,441,326	8,740,615	8,833,543	8,909,918	8,975,015	9,031,683	9,079,749	1.2%
Subtotal—domestic	30,297,181	30,719,523	31,625,370	31,964,668	32,244,118	32,482,796	32,691,006	32,868,107	1.1%
International *(b)*	18,215,233	19,877,679	20,205,490	20,879,361	21,497,095	22,052,182	22,538,600	22,950,927	2.4%
Total—passenger airlines	48,512,414	50,597,202	51,830,859	52,844,029	53,741,213	54,534,978	55,229,606	55,819,034	1.7%
All-cargo airlines	4,100,852	4,431,975	4,543,439	4,611,591	4,680,765	4,750,976	4,822,241	4,894,574	1.7%
Total	52,613,266	55,029,177	56,374,298	57,455,619	58,421,977	59,285,954	60,051,847	60,713,608	1.7%
Annual percent increase (decrease)		4.6%	2.4%	1.9%	1.7%	1.5%	1.3%	1.1%	

Note: For Fiscal Years ending June 30; CAGR = Compound annual growth rate

The forecasts presented in this table were prepared using the information and assumptions given in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between the forecast and actual results, and those differences may be material.

(a) Includes charter airlines.

(b) Includes landed weight for freighter operations by Asiana, Cathay Pacific, China Airlines, China Southern, Eva, and Korean Airlines.

Sources: Historical: Los Angeles International Airport records.
Forecast: LeighFisher, September 2015.

3. FRAMEWORK FOR FINANCIAL OPERATION

The framework of the Airport's financial operation is discussed in this section, which contains descriptions of the Senior Indenture and the Subordinate Indenture, airline lease and use agreements, and commercial agreements and leases.

THE SENIOR INDENTURE*

The City (acting through its Board of Airport Commissioners) issues airport revenue bonds for improvements at the Airport. Bonds issued by the Department for the benefit of the Airport are not general indebtedness of the City, but are limited obligations of the Department payable solely from certain revenues generated from the operation of the Airport. The Department has no taxing power.

Senior Bonds are issued pursuant to the terms and conditions of the Master Trust Indenture dated as of April 1, 1995, by and between the Department, acting through the Board of Airport Commissioners of the City, and The Bank of New York Mellon Trust Company, N.A., as Senior Trustee, as amended and supplemented (collectively, the Senior Indenture).

The Department's Senior Bonds have the most senior lien on the Net Pledged Revenues of any outstanding debt, and the Department has covenanted in the Senior Indenture not to issue any debt with a pledge of, or lien on, Net Pledged Revenues senior to that of the Senior Bonds.

Senior Rate Covenant

The Department has covenanted in the Senior Indenture that while any Senior Bonds are Outstanding, it will "establish, fix, prescribe, and collect rates, tolls, fees, rentals and charges in connection with [the Airport] ….. so that during each Fiscal Year":

- The Department's obligation to fulfill certain payments under the Senior Indenture flow of funds structure (as described in the next section) are met.
- Net Pledged Revenues, together with any Transfer, will be equal to at least 125% of Aggregate Annual Debt Service on the Outstanding Senior Bonds.

Net Pledged Revenues are defined in the Senior Indenture as Pledged Revenues less LAX Maintenance and Operation (M&O) Expenses. Pledged Revenues are substantially all revenues generated from the operation of LAX, with the exception of PFC revenues, customer facility charge (CFC) revenues, and certain other excluded revenue categories. LAX M&O Expenses are the day to day expenses of operating LAX as defined under generally accepted accounting principles, but exclude depreciation and expenses paid from sources other than Pledged Revenues. Transfer, for any Fiscal Year, is defined as the amount of unencumbered funds available in the LAX Revenue Account at the beginning of a fiscal year after certain required deposits and payments have been made in accordance with the flow of funds established in the Senior Indenture at the end of the preceding fiscal year.

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*References in this Report to the Senior Indenture, the Subordinate Indenture, airline agreements, and various leases and agreements entered into by the City and the Department are not intended to be comprehensive or definitive. Capitalized terms have the same meaning as defined in the Senior Indenture, except as otherwise noted herein.

Application of Revenues

The LAX Revenue Account has been established in the Airport Revenue Fund pursuant to the City Charter. Substantially all revenues generated from the operation of the Airport, except for PFC revenue and CFC revenues (i.e., the Pledged Revenues, or LAX Revenues), are deposited to the LAX Revenue Account within the Airport Revenue Fund. Pursuant to the Senior Indenture, moneys in the LAX Revenue Account are applied in the following order of priority:

(1) To the payment of LAX M&O Expenses

(2) To the payment of debt service on the Senior Bonds

(3) To the replenishment of reserve funds and accounts established under the terms of the Senior Indenture (if needed)

(4) To the payment of debt service on bonds and other obligations issued under the terms of the Subordinate Indenture

(5) To the replenishment of reserve funds and accounts established under the terms of the Subordinate Indenture (if needed)

(6) To the payment of debt service on third lien debt obligations of the Department (if any)

(7) To the replenishment of reserve funds and accounts for third lien obligations (if needed)

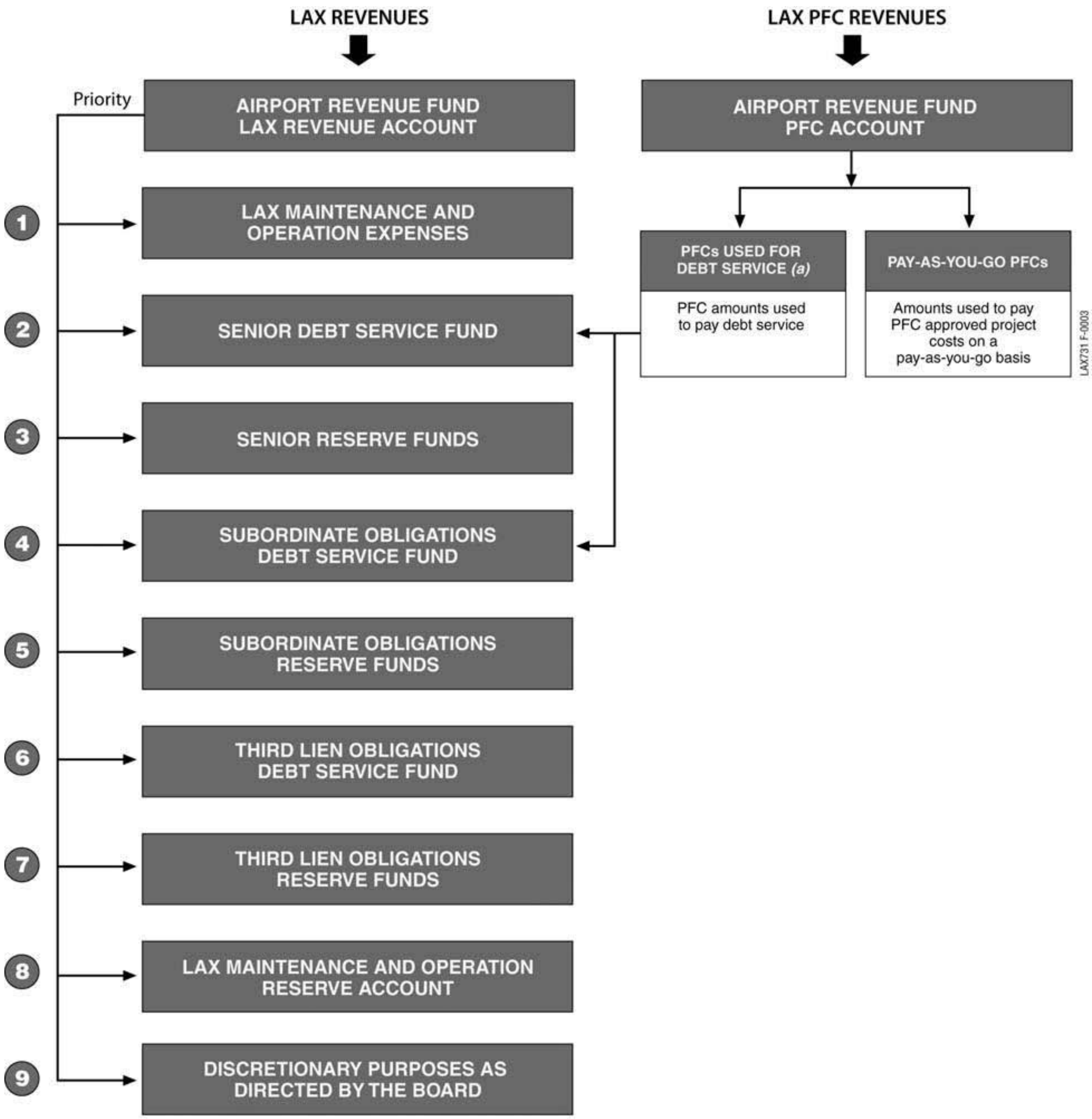
(8) To the payment of amounts required to be deposited into the LAX M&O Reserve Account, and

(9) Remaining amounts may be used for any lawful purpose related to LAX, as directed by the Board

PFC revenues are not included in Pledged Revenues in accordance with the Senior Indenture. The Department uses a portion of its PFC revenues to pay debt service on Senior Bonds eligible for PFC funding and approved by the FAA for PFC funding.

The application of Revenues in accordance with the Senior Indenture is illustrated on Figure 15.

Figure 15
APPLICATION OF REVENUES
Airport Revenue Fund



(a) Pledged Revenues do not include PFC revenues. The Department expects to use PFC revenues to pay a portion of the debt service related to PFC approved projects, and for approved project costs on a pay-as-you-go basis.

Source: Master Senior Indenture.

Additional Senior Bonds

Whenever the Department wishes to issue additional Senior Bonds, the Department is required by the Senior Indenture to deliver to the Senior Trustee either:

> "(a) A certificate …... prepared by an Authorized Board Representative showing that the Net Pledged Revenues, together with any Transfer, for any 12 consecutive months out of the most recent 18 consecutive months immediately preceding the date of issuance of the proposed Series of Senior Bonds …… were at least equal to 125% of Maximum Aggregate Annual Debt Service with respect to all Outstanding Senior Bonds, Unissued Senior Program Bonds and the proposed Series of Senior Bonds, calculated as if the proposed Series of Senior Bonds …... were then Outstanding; or
>
> (b) A certificate …… prepared by a Consultant showing that:
>
> 1) The Net Pledged Revenues, together with any Transfer, for the last audited Fiscal Year or for any 12 consecutive months out of the most recent 18 consecutive months immediately preceding the date of issuance of the proposed Series of Senior Bonds ……, were at least equal to 125% of the sum of the Aggregate Annual Debt Service due and payable with respect to all Outstanding Senior Bonds (not including the proposed Series of Senior Bonds ……) for such Fiscal Year or other applicable period; and
>
> 2) For the period from and including the first full Fiscal Year following the issuance of such proposed Series of Bonds during which no interest on such Series of Senior Bonds is expected to be paid from the proceeds thereof through and including the later of: (A) the fifth full Fiscal Year following the issuance of such Series of Senior Bonds, or (B) the third full Fiscal Year during which no interest on such Series of Senior Bonds is expected to be paid from the proceeds thereof, the estimated Net Pledged Revenues, together with any estimated Transfer, for each such Fiscal Year, will be at least equal to 125% of the Aggregate Annual Debt Service for each such Fiscal Year with respect to all Outstanding Senior Bonds, Unissued Senior Program Bonds and the proposed Series of Senior Bonds (calculated as if the proposed Series of Senior Bonds and the full Authorized Amount of such proposed Senior Program Bonds (as applicable) were then Outstanding)."

For this purpose, the amount of any Transfer taken into account "shall not exceed 25% of the Aggregate Annual Debt Service on the outstanding Senior Bonds, Unissued Senior Program Bonds, the proposed series of Senior Bonds, and the full Authorized Amount of such proposed Senior Program Bonds, as applicable, for such applicable Fiscal Year or such other applicable period."

THE SUBORDINATE INDENTURE

The City (acting through its Board of Airport Commissioners) also issues airport revenue bonds and commercial paper notes that are subordinate to the Senior Bonds. Subordinate Bonds and commercial paper notes issued by the Department are not general indebtedness of the City, but are limited obligations of the Department payable solely from Subordinate Pledged Revenues.

Subordinate Bonds and commercial paper notes are issued pursuant to the terms and conditions of the Master Subordinate Trust Indenture dated as of December 1, 2002, by and between the Department and U.S. Bank National Association, as Subordinate Trustee, as amended and supplemented (collectively, the Subordinate Indenture).

Subordinate Rate Covenant

The Department has covenanted in the Subordinate Indenture that so long as any Subordinate Obligations are outstanding, it will "….. establish, fix, prescribe, and collect rates, tolls, fees, rentals, and charges in connection with [the Airport] ….. so that Subordinate Pledged Revenues in each Fiscal Year will be at least equal to the following amounts":

- The Department's obligation to fulfill certain payments described in the Subordinate Indenture.
- Subordinate Pledged Revenues, together with any Transfer, will be equal to at least 115% of Aggregate Annual Debt Service (as defined in the Subordinate Indenture) on the Outstanding Subordinate Obligations.

Subordinate Pledged Revenues are defined as Net Pledged Revenues less debt service on the Senior Bonds and less any required deposits to the debt service reserve funds and accounts established pursuant to the Senior Indenture.

Additional Subordinate Obligations

Whenever the Department wishes to issue additional Subordinate Obligations, the Department is required by the Subordinate Indenture to deliver to the Trustee either:

"(a) A certificate …... prepared by an Authorized Board Representative showing that the Subordinate Pledged Revenues, together with any Transfer, for any 12 consecutive months out of the most recent 18 consecutive months immediately preceding the date of issuance of the proposed ….. Subordinate Obligations …… were at least equal to 115% of Maximum Aggregate Annual Debt Service with respect to all Outstanding Subordinate Obligations, Unissued Subordinate Program Obligations and the proposed ….. Subordinate Obligations, calculated as if the proposed ….. Subordinate Obligations …… were then Outstanding; or

(b) A certificate …… prepared by a Consultant showing that:

3) The Subordinate Pledged Revenues, together with any Transfer, for the last audited Fiscal Year or for any 12 consecutive months out of the most recent 18 consecutive months preceding the date of issuance of the proposed Subordinate Obligations ……, were at least equal to 115% of the sum of the Aggregate Annual Debt Service due and payable with respect to all Outstanding Subordinate Obligations (not including the proposed ….. Subordinate Obligations) for such Fiscal Year or other applicable period; and

4) For the period from and including the first full Fiscal Year following the issuance of such proposed ….. Subordinate Obligations during which no interest on such ….. Subordinate Obligations is expected to be paid from the proceeds thereof through and including the later of: (A) the fifth full Fiscal Year following the issuance of such ….. Subordinate Obligations, or (B) the third full Fiscal Year during which no interest on such ….. Subordinate Obligations is expected to be paid from the proceeds thereof, the

> estimated Subordinate Pledged Revenues, together with any estimated Transfer, for each such Fiscal Year, will be at least equal to 115% of the Aggregate Annual Debt Service for each such Fiscal Year with respect to all Outstanding Subordinate Obligations, Unissued Subordinate Program Obligations and the proposed ….. Subordinate Obligations calculated as if the proposed ….. Subordinate Obligations were then Outstanding."

For this purpose, the amount of any Transfer taken into account "shall not exceed 15% of the Aggregate Annual Debt Service on the Outstanding Subordinate Obligations, Unissued Program Subordinate Obligations, and the proposed Subordinate Obligations, for such applicable Fiscal Year or such other applicable period."

OUTSTANDING DEBT

The Department had $3.3 billion of Senior Bonds outstanding, and $797.2 million of Subordinate Bonds outstanding, as of July 1, 2015. The last maturity dates on the currently outstanding Senior Bonds and the currently outstanding Subordinate Bonds are in FY 2045 and FY 2040, respectively.

Additionally, the Department had approximately $50 million of commercial paper outstanding as of June 30, 2015, which was issued under the terms of the Subordinate Indenture. The Department is authorized to have up to $500 million in principal amount of commercial paper outstanding at any given time.

PROPOSED AND FUTURE DEBT

The Department expects to issue additional Senior Bonds after the proposed Series 2015DE Senior Bonds to fund approximately $2.0 billion of capital costs from FY 2016 to FY 2021. In addition, the Department expects to issue additional Subordinate Bonds to fund approximately $345.1 million of capital costs during the same period. The financial analysis presented in Section 5 of this Report reflects the effect on the Department's finances of the proposed Series 2015DE Senior Bonds, the additional Senior Bonds, and the additional Subordinate Bonds to be issued during the forecast period.

As described in more detail in Section 4, any additional Senior Bonds and Subordinate Bonds associated with future capital projects in the preliminary planning phase (i.e., the Preliminary Stage Projects), or that will be undertaken after the end of the forecast period, are not included in the financial analysis presented in Section 5.

Additionally, the Department may refund certain currently outstanding Senior Bonds and Subordinate Bonds during the forecast period, depending on financial market conditions, the ability of the Department to lower its debt service payments, and legal limitations. The Department may pursue both current and advance refundings for debt service savings. The effect of such potential Senior Bond and Subordinate Bond refundings has not been included in the financial analysis.

AGREEMENTS WITH AIRLINES FOR THE USE OF AIRPORT FACILITIES

The arrangements between the Department and the airlines for the use of Airport facilities fall into three categories:

- Operating permits for the use of airfield and apron facilities
- An Airport terminal tariff subject to a rate agreement, and
- Terminal leases

Operating Permits for the Use of Airfield Facilities

The Department has entered into non-exclusive operating permits with the airlines serving the Airport covering their use of the airfield facilities. These agreements extend for up to 10 years, with expiration on June 30, 2022, and with an option to extend for a further 10 years. The operating permits can be terminated by either party with 30 days' notice. The permits oblige each carrier to pay the Department a landing fee and an apron fee for the use of those facilities by its aircraft, as well as some miscellaneous additional fees and charges related to airfield operations.

Currently, all airlines serving the Airport have entered into an operating permit for the use of the airfield. Occasionally, an airline seeks to operate at the Airport on an infrequent or short-term basis without obtaining an operating permit. In those cases, the airline must abide by the Department's Airport Rules and Regulations which specifies, in part, the operating framework for using the airfield. These carriers pay landing fees and apron charges 25% higher than the carriers who signed an operating permit.

The landing fee is calculated using a cost center compensatory methodology by adding the following cost components, which total to the airfield requirement:

- Allocated M&O expenses of the airfield (including allocated overhead expenses).
- Amortization expenses for airfield related capital improvements funded with Department capital.
- Allocated Senior Bond and Subordinate Obligation debt service.
- Allocated Senior Bond and Subordinate Obligation debt service coverage (0.25 times Senior Bond debt service, and 0.15 times Subordinate Obligation debt service, respectively), but only to the extent that those amounts in total exceed the annual allocated amortization.
- The portion of the required LAX Maintenance and Operating Expense Reserve funding requirement allocated to the airfield.
- The net costs associated with the Department's general aviation facility—Van Nuys Airport.

The total airfield requirement is then divided by the total landed weight of all aircraft using the airfield (measured in thousand-pound units of landed weight) to calculate the landing fee.

The landing fee for any given fiscal year is calculated at the start of the year based on budgeted cost and usage information for that fiscal year. After the end of a fiscal year, the actual landing fee is recalculated based on actual cost and usage data. Any under-collection of landing fees is invoiced to the carriers. If an over-collection has occurred, it is credited to the airlines in the ensuing fiscal year.

The apron fee is also calculated using a compensatory methodology, in a similar manner to the landing fee. The same cost items allocable to the apron area are summed to yield the total apron requirement (except in the case of the apron fee, there is no allocation of the Van Nuys Airport deficit). The resulting apron requirement is divided by the landed weight of passenger airlines only (measured in thousand-pound units of landed weight) to calculated the apron fee.

Terminal Tariff and Rate Agreement

Airlines occupy and use terminal space at the Airport under the terms of the LAX Passenger Terminal Tariff, as amended from time to time by the Department in consultation with the airlines. The Passenger Terminal Tariff applies to all airlines and to all terminals, unless specifically excluded pursuant to other agreements between the Department and individual airlines. Some airlines (including Delta, United, and Southwest, among others) have leases with the Department for the use of terminal space that mirror the terms of the Passenger Terminal Tariff. American Airlines, operating from Terminal 4, has a lease with the Department for the use and occupancy of space in that terminal that does not reflect the terms of the Passenger Terminal Tariff, as discussed further below.

Effective on January 1, 2013, certain changes were made to the Passenger Terminal Tariff, which applies to all terminals except Terminal 4. Under the revised Passenger Terminal Tariff, a series of fees and charges were established relating to certain building functions and services. The fees are each calculated to recover the fully allocated costs associated with that space or service, less a portion of certain terminal concession revenues in certain cases. The components of cost include:

- Allocated M&O expenses (including allocated overhead expenses).
- Amortization expenses for applicable capital improvements funded with Department capital.
- Allocated Senior Bond and Subordinate Obligation debt service.
- Allocated Senior Bond and Subordinate Obligation debt service coverage (0.25 times Senior Bond debt service and 0.15 times Subordinate Obligation debt service, respectively), but only to the extent that those amounts in total exceed the annual allocated amortization.
- The allocable portion of the required LAX Maintenance and Operating Expense Reserve funding requirement.

In the case of each fee, the total cost requirement is divided by the applicable space or usage factor (such as passenger throughput) to calculate the fee level.

The fees and charges established under the Passenger Terminal Tariff are as follows:

- ***Terminal Buildings Charge:*** The total allocated cost of the passenger terminal buildings divided by total rentable space in all the terminals. This is calculated on an equalized basis; the same fee applies in all terminals.

- ***Federal Inspection Services (FIS) Fee:*** The total allocated cost of the FIS facilities in all the terminals, divided by the total passengers using those facilities (i.e., all international passengers arriving at the Airport, except those pre-cleared at foreign locations).

- ***Common Use Area Fees and Charges:*** Miscellaneous fees and charges implemented to recover the fully allocated costs of various areas in the terminal used by more than one airline (such as holdrooms and ticket counters) as well as certain systems used by more than one airline (such as the baggage claim systems).

- ***Terminal Special Charges:*** Various items, including custodial services, loading bridge use charges, and outbound baggage system fees. In some cases (i.e., for certain terminals or certain airlines), the costs of these items are recovered as part of the Terminal Buildings Charge or the Common Use Area Fees and Charges. In cases where these items are not so recovered, a separate charge is established to ensure the Department recovers the associated costs.

To resolve certain ongoing and potential litigation related to the Department's terminal rate setting methodology as codified in the Passenger Terminal Tariff, all the airlines serving the Airport entered into Rate Agreements with the Department. Provisions in the rate agreement prevent the airlines from challenging the rate methodology until 2022 and introduced phased implementation of the tariff rates included therein. Specifically, pursuant to the Rate Agreements:

- The equalized terminal rental rates are phased in over a five-year period (calendar years 2013 to 2017).

- The terminal rental rate was set at $75 per square foot for calendar year 2013.

- For calendar years 2014 to 2017, the discount to the full rate calculated pursuant to the Passenger Terminal Tariff is reduced from 20% to 5% in 5% annual increments.

- Starting in calendar year 2018, the equalized terminal rental rate will be as calculated pursuant to the Passenger Terminal Tariff, without a discount.

- Since the start of calendar year 2014, the Department has provided a credit against the terminal rental rate calculation for a portion of the concession revenues generated in the LAX terminals (known as Tier-One Revenue Sharing).

- The Department established a Terminal Renewal and Improvement Fund (TRIF Fund), funded from annual net terminal area cash flows, not to exceed $125 million annually (the Net Terminal Cash Flow Cap), escalated annually at the consumer price index (CPI), and with a cap on the TRIF balance of $500 million, also escalated annually at CPI.

- Funds in the TRIF are to be used solely for terminal and related improvements at the Airport.

- The Department can include the amortization of TRIF-funded capital projects in the cost base for the calculation of the terminal rental rate, but with a five-year lag.

- 50% of any revenues in excess of the Net Terminal Cash Flow cap in a given year are deposited into the Tier Two Revenue Sharing Fund and credited back to the airlines that have executed a Rate Agreement.

Terminal 4 Lease

In 1984, the Department entered into a lease, which expires in December 2024, with American Airlines for the use of Terminal 4. The terminal rental rate paid by American for the space it occupies in Terminal 4 is not calculated in accordance with the Passenger Terminal Tariff. Rather, the Terminal 4 rates are adjusted approximately once every five years by mutual agreement between the parties, or if agreement cannot be reached, based on a fair market value assessment of the facilities. Additionally, American pays for its allocated share of M&O expenses for Terminal 4, which are calculated in accordance with the Passenger Terminal Tariff.

This lease was entered into in conjunction with the issuance of a certain conduit financing by the Regional Airports Improvement Corporation. The Terminal 4 Lease confers certain buy-back rights to the Department allowing it to defease the third-party debt that financed Terminal 4 improvements. Early termination of the lease may require payment or provision for payment by the Department of some or all of the related conduit financing.

AIRPORT COST CENTERS

The Department allocates LAX M&O Expenses to five direct Airport cost centers and two indirect cost centers for internal budgeting and cost tracking purposes, as well as for the calculation of the landing fee rate, apron fee rate, terminal rental rates, and other miscellaneous fees and charges to the airlines. The five direct Airport cost centers are the:

- **Terminal**, which includes all areas within the passenger terminals of the Airport (e.g., concourses, boarding areas, public circulation space, pedestrian bridges, mechanical/utility areas, lobbies, offices, concession areas, Department facilities, baggage facilities, and storage areas).

- **Airfield**, which includes all runways, taxiways, landing areas, adjacent infield areas, and related support facilities (e.g., drainage pumping stations, field lighting, navigational aids, aircraft rescue and fire-fighting (ARFF) support facilities, fire and rescue watercraft, and cart roads).

- **Apron**, which includes all ramp and apron areas of the airfield used for loading and unloading aircraft, both adjacent to the terminal gates, as well as at remote locations on the airfield (but excluding aprons for general aviation, cargo, and aircraft maintenance facilities).

- **Aviation**, which includes all areas and facilities that support airline and general aviation functions (e.g., hangars, aircraft maintenance facilities, cargo facilities, fuel farms, and flight kitchens), government installations, fixed base operators (FBOs), and other related facilities.

- **Commercial**, which includes areas of the Airport (excluding the terminals) used for non-aeronautical purposes, including public parking lots, rental car facilities, a golf course, and other miscellaneous facilities.

Additionally, the Department has two indirect cost centers to aggregate costs not specifically related to one of the direct cost centers. The indirect cost centers are:

- **General Administration**, which includes management, administration, legal, accounting, human resources, and a range of other functions that cannot be attributed directly to one of the direct cost centers.

- **Access**, which includes roadways and other means of vehicular and pedestrian access to both the landside and airside of the Airport.

For purposes of the calculation of airline rates and charges, the costs in the indirect cost centers are allocated among the direct cost centers. General Administration costs are allocated to each of the direct cost centers (and Access) on the basis of the direct cost centers' share of total direct cost center M&O. Access costs are allocated to the direct cost centers on the basis of the direct cost centers' relative share of total acreage. (Security costs are included in the direct cost centers.)

COMMERCIAL AGREEMENTS AND LEASES

The Department enters into commercial agreements and leases for automobile parking operations, rental car facilities, duty free operations, general merchandise concessions, and food and beverage operations, among other services.

Automobile Parking

The public automobile parking facilities in the CTA of the Airport, encompassing over 8,000 spaces, are operated for the Department by New South Parking—California under a management contract with a term that extends through May 31, 2016. Under this contract, the Department receives 100% of the gross revenues from these facilities on a daily basis, and compensates New South Parking—California for certain expenses that it incurs in the operation of the facilities.

The 2,700-space parking facility known as the Park One lot, located adjacent to Terminal 1, was purchased by the Department in 2009. The Department assumed an operating lease with PNF-LAX, Inc. which extends to December 31, 2017, and may be further extended through December 2028 at the option of the company. Under this lease, the Department receives escalating annual revenues that comprise two parts: a base rent and a percentage of gross revenues (subject to certain thresholds).

The Department operates the Skyview center parking facilities (approximately 2,110 spaces) via a license agreement with Central Parking. A portion of the Skyview parking facilities is used for employee parking and parking for Sheraton Hotel guests, along with airline passenger parking.

As described in Section 1, there are extensive off-Airport parking activities at LAX. The Department does not impose a privilege fee on the off-Airport parking operations of private companies, but does impose a trip fee for the shuttle bus operations of off-Airport parking companies.

Rental Cars

The Department has agreements with 13 rental car companies for the provision of rental car services at the Airport. While these 13 companies operate rental car facilities located off Airport property, they transport their passengers to and from the CTA on their own branded shuttle buses. These 13 companies—Advantage, Alamo, Avis, Budget, Dollar, Enterprise, Fox, Hertz, National, Thrifty, Sixt, Midway, and Dr Car Rental (DBA Payless)—encompass 15 rental car brands. (In addition to the above listed companies, Zipcar and Firefly operate as affiliates to Avis and Thrifty, respectively). The agreements with these 13 brands extend to January 31, 2018, with the option of extending for two additional years.

The agreements require a concession fee equal to the greater of 10% of gross receipts or a minimum annual guarantee (MAG). The aggregate MAG for these rental car companies was approximately $68 million in FY 2015.

Additionally, more than 20 other rental car companies (Non-Concessionaire Rental Car Providers) provide vehicle rentals to Airport passengers. These companies do not have concession agreements with the Department and operate exclusively off Airport property. Their patrons access the CTA using LAX shuttle buses. The Department is in the process of revising the business structure for the Non-Concessionaire Rental Car Providers, but as of the timing of this Report this new structure had not been implemented.

The Department imposes a CFC on rental car customers per rental car transaction, the associated revenues from which are expected to finance the development and operation of a consolidated rental car facility (ConRAC) at the Airport. Revenues generated from the CFC are not part of LAX Pledged Revenues, and are not part of the revenue stream supporting the Series 2015DE Senior Bonds or other debt issued under the Senior Indenture or Subordinate Indenture.

Duty Free

The Department entered into a concession agreement with DFS Group L.P. (DFS) covering approximately 38,500 square feet of space in various terminals at LAX for the exclusive right to sell duty free merchandise. The expiration date of the agreement was originally September 2023, with three one-year extension options. The expiration date was subsequently extended to September 2024, with the Department retaining three one-year extension options.

The agreement provides for the payment of concession fees equal to the greater of a MAG, or performance rent, which is comprised of two components: percentage rent and contingent rent. The MAG is calculated as the greater of (a) $30 million escalating with inflation after the first year of the agreement, (b) a percentage of the prior year's rent payment, or (c) $6.25 per international departing passenger commencing in the third year of the agreement and escalating with inflation. The percentage rent is calculated as a varying percentage of gross sales depending on sales volume and product category. The contingent rent equals 10% of gross sales greater than $175 million. The Department's Duty free revenues totaled $66.4 million in FY 2015.

Duty Paid Retail and Food and Beverage Concessions

The Department has entered into two separate management agreements with Westfield Concession Management, LLC, related to the development and management of both duty paid retail and food and beverage concessions in Terminals 1, 2, 3, 6, and the TBIT. In both cases, Westfield serves as the developer and manager of these concession categories in those terminals. The Westfield agreement covering Terminals 1, 3, and 6 has a term expiring in June 2029. The Westfield agreement covering Terminal 2 and the TBIT has a term expiring in January 2029, which was subsequently extended to July 2029 and January 2032 for Terminal 2 space and TBIT space, respectively. In both cases, Westfield is required to make certain capital investments at both the beginning and the middle of its term.

In both cases, Westfield pays the Department the greater of a MAG or rent calculated as a base percentage rent plus a contingent percentage rent if gross sales exceed certain thresholds. The MAGs for both Westfield agreements are formula driven—the greater of (a) an amount per square foot adjusted by inflation ($210 per square foot for the TBIT and Terminal 2; $240 per square foot for Terminals 1, 2, and 6), or (b) 85% of the prior year's percentage rent payment to the Department. The Department collected $18.9 million in revenue from both Westfield agreements combined in FY 2015.

The Department directly manages both duty paid retail and food and beverage concessions in the other terminals (i.e., Terminals 4, 5, 7, and 8). The Department has entered into agreements with several companies to provide retail concessions in these terminals. The retail agreements are scheduled to expire in June 2021, and provide for a rental payment equal to the greater of a MAG or a percentage of gross sales. Each agreement in this category includes initial and mid-term investment requirements by the concessionaire. The aggregate MAG under these retail agreements is approximately $7.4 million.

Food and beverage operations are also provided by multiple vendors in these terminals as well in the commuter facilities, under different agreements. These agreements are scheduled to expire in June 2021 and June 2023, and provide for a rental payment equal to the greater of a MAG or a percentage of gross sales. Each agreement in this category includes initial and mid-term investment requirements by the concessionaire. The aggregate MAG under these food and beverage agreements is $11.3 million.

Other Commercial Leases and Agreements

The Department has entered into other terminal area concession agreements for advertising, banking, foreign currency exchange, Wi-Fi, and vending machines, among other services. These agreements generally provide for a rental payment equal to the greater of a MAG or a percentage of gross sales.

The Department awarded a seven-year advertising and terminal media operation agreement to JC Decaux, which expires on December 31, 2020, with an annual MAG totaling $26 million ($21 million related to advertising, plus $5 million related to certain media sponsorship arrangements). This agreement encompasses initial and mid-term investment requirements by the company.

The cumulative MAGs for banking, foreign currency exchange, Wi-Fi, and other services (excluding advertising) total approximately $13.7 million annually.

The Department also has numerous leases, agreements, and permits with airlines, the federal government, and others for various types of rentals and for other activities at the Airport, including, among others, ground transportation, hangar rentals, cargo handling, FBO facilities, aviation support, and employee parking.

4. AIRPORT CAPITAL PROGRAM AND FUNDING

This section summarizes the Department's Capital Program for the development of the Airport and the funding sources for the Capital Program.

SUMMARY OF THE CAPITAL PROGRAM

Department management periodically develops and updates a Capital Program for the redevelopment, improvement, and expansion of Airport facilities. The Capital Program is developed based on anticipated facility needs, current and expected future airline traffic, available funding sources, and project priority.

For purposes of this Report, the Department's current Capital Program for LAX is grouped in the following manner:

- ***Series 2015DE Senior Bond Projects:*** Projects being partially funded with proceeds of the Series 2015DE Senior Bonds. Costs for the Series 2015DE Senior Bond Projects total $2.1 billion ($312.9 million of which is expected to be funded with net Series 2015DE Senior Bond proceeds), with completion of these projects expected by June 30, 2019.

- ***Other Committed and Planned Projects:*** Other projects in the Capital Program either currently underway or relatively certain in terms of their scopes, costs, and timing of implementation. Some projects in this category have yet to receive all necessary approvals to proceed (including planning, environmental, and Board approvals). Costs for projects in this category total $3.7 billion, with the major project elements expected to be completed by FY 2021.

- ***Preliminary Stage Projects:*** Projects needed in the long term for the effective operation of the Airport, but whose scopes, costs, and implementation timing are not yet fully determined. The single largest component of this project category is LAMP—a series of projects related to landside access to the Airport, including an automated people mover, a ConRAC facility, and an intermodal transportation facility. Total costs of projects in this category are currently estimated to be $4.5 to $5.5 billion, with implementation during the FY 2017 to FY 2023 period, although the scopes, costs, and timing of implementation are subject to substantial revision as project planning and preliminary design proceed.

The financial analysis in this Report reflects the impact on revenues, M&O expenses, bond issuance, and debt service of the Series 2015DE Senior Bond Projects, and the Other Committed and Planned Projects. Because of their preliminary nature, revenues, M&O expenses, bond issuance, and debt service associated with the Preliminary Stage Projects are not reflected in the financial analysis described in Section 5.

The Capital Program reflects completion costs of certain ongoing projects in FY 2016 and after and estimated total costs for projects yet to be initiated. Before implementing a capital project, Department management is required to obtain certain approvals from the Board of Airport Commissioners.

Although the scope and timing of implementation of certain projects are subject to refinement, to the extent possible Department management intends to implement the Capital Program using a modular and phased approach, so that future projects (or project phases) can be deferred if unanticipated events occur (such as significant declines in aviation activity at the Airport).

Major projects included in the Capital Program, by category, are described below. The Capital Program is summarized in Exhibit A-1.

Series 2015DE Senior Bond Projects

Projects in this category total $2.1 billion, and include the following:

- ***Bradley West interior enhancements***: The redevelopment, reconfiguration, or demolition of building areas remaining from the original TBIT building constructed in 1984. Modifications include enlargement and reconfiguration of original main terminal space, demolition of the original TBIT concourses and aprons, the enlargement of original Federal Inspection Services space, and reconfiguration of the passenger screening checkpoint. The total cost of this project is estimated to be $371 million (including $35.9 million of net Series 2015DE Senior Bond proceeds) with substantial completion by June 2016.

- ***Second level roadway and new face of the CTA***: Traffic safety and roadway improvements to the second level roadway in the CTA and other roads in the area, as well as an upgraded LED street lighting system. The total cost of this project is estimated to be $116 million (including $30.0 million of net Series 2015DE Senior Bond proceeds) with substantial completion by June 2016.

- ***Terminal 1 improvements***: The phased reconstruction of substantially all of Terminal 1, including the development of a new centralized 12-lane passenger security checkpoint, a new checked baggage inspection system, and redeveloped public areas, holdrooms and gate areas, airline operations space, and adjacent apron areas. Southwest Airlines is funding and undertaking these improvements, which will be purchased by the Department in phases when they are complete. The total cost of all phases of this project is estimated to be $526 million with substantial completion by FY 2019. The current phase, to be partially funded with a portion of the Series 2015DE Senior Bond proceeds, is estimated to cost $92.6 million (including $58.4 million of net Series 2015DE Senior Bond proceeds) and be completed by June 2016.

- ***Terminal 2 improvements***: The phased redevelopment of portions of Terminal 2, including the ticketing lobby, baggage claim areas, baggage screening, concourse areas, and building systems). The Department is funding and undertaking these improvements. The total cost of this project is estimated to be $216 million (including $31.6 million of net Series 2015DE Senior Bond proceeds) with substantial completion during FY 2017.

- ***Terminal 5 improvements***: The phased redevelopment of portions of Terminal 5, including a new checked baggage screening system, a new outbound baggage system, renovated Customs and Border Protection areas for screening arriving international passengers; renovated ticketing lobby, baggage claim areas, and passenger security checkpoints; and the replacement of 13 passenger boarding bridges. Delta Air Lines is funding and undertaking these improvements, which will be purchased by the Department in phases when they are complete. The total cost of all phases of this project is estimated to be $201 million (including $75.8 million of net Series 2015DE Senior Bond proceeds) with substantial completion by June 2016.

- ***Terminals 6, 7, and 8 improvements***: The phased redevelopment of portions of these terminals, including a new checked baggage screening system and baggage sorting system, and renovated baggage claim areas, passenger security checkpoints, and airline office areas; the replacement of passenger boarding bridges; and the construction of a new club room for use by United's premium passengers. United Airlines is funding and undertaking these improvements, which will be purchased by the Department in phases when they are complete. The total cost of all phases of this project is estimated to be $538 million with substantial completion by FY 2019. The current phase, to be partially funded with a portion of the Series 2015DE Senior Bond proceeds, is estimated to cost $51.0 million (including $4.8 million of net Series 2015DE Senior Bond proceeds) and be completed by June 2016.

- ***Terminal commercial management acquisition***: The development of certain public use areas in Terminals 1, 2, 3, 6, and the TBIT, including public seating, restroom facilities, and common area enhancements. Under the terms of its agreements with the Department, Westfield Concessions Management, LLC, is funding and undertaking these improvements, which will be purchased by the Department in phases when they are complete. The Westfield concession arrangements at the Airport are described in Section 3. The total cost of all phases of this project is estimated to be $145 million with substantial completion by FY 2017. The current phase, to be partially funded with a portion of the Series 2015DE Senior Bond proceeds, is estimated to cost $81.2 million (including $76.4 million of net Series 2015DE Senior Bond proceeds) and be completed by June 2016.

Other Committed and Planned Projects

Projects in this category total $3.7 billion and include the following:

- ***Midfield Satellite Concourse—Phase 1***: The development of a new 12-gate, 760,000-square-foot concourse west of the TBIT/Bradley West complex. This project would include adjacent apron and airfield pavement improvements, utilities, and baggage systems; would be connected via underground tunnel with TBIT/Bradley West; and would serve both international and domestic airline operations. This project is estimated to cost a total of $1.4 billion and be implemented during the period FY 2016 to FY 2020.

- ***Noise mitigation and soundproofing***: A program of soundproofing for residences located close to the Airport which are significantly impacted by aircraft noise. Also, the Department is currently implementing a voluntary program of property acquisition for residences located in the Manchester Square and Belford areas impacted by aircraft noise. This project is estimated to cost a total of $356 million and be implemented during the period through FY 2020.

- ***Elevators and escalators replacement***: Comprehensive upgrading of elevator and escalator systems throughout public areas of the Airport (primarily in the CTA) that have exceeded their useful lives. This project is estimated to cost a total of $252 million and be implemented during the period through FY 2017.

- ***Terminal 4 improvements***: The acquisition by the Department of facility improvements undertaken by the airline anchor tenant (American) in Terminal 4. This project is estimated to cost a total of $220 million, and the acquisition is expected to be made in FY 2017.

- ***Terminal 1.5***: The development of a new building located between Terminal 1 and Terminal 2 that would link the two terminals directly and result in a single unified facility from an operational perspective. This project is estimated to cost a total of $200 million and be implemented during the period FY 2018 through FY 2021.

- ***Terminal 3 Connector:*** The construction of a corridor linking Terminal 3 and the TBIT on a post-security basis. This project is estimated to cost a total of $175 million and be implemented during the period FY 2018 through FY 2021.

- ***Terminal 4/TBIT Connector building:*** The construction of a 74,000-square-foot corridor linking Terminal 4 and the TBIT/Bradley West complex on a post-security basis. This project is estimated to cost a total of $174 million and be completed by June 2016.

- ***Runway Safety Area (RSA) improvements***: Improvements to the Runway 7L end of Runway 7L-25R to bring the RSA into compliance with FAA standards and to extend the runway by 800 feet. Also included are improvements to the Runway 24R end of Runway 6L-24R and to the Runway 24L end of Runway 6R-24L. This project is estimated to cost a total of $170 million and be substantially completed by June 2017.

- ***Taxilane T***: The construction of a new Taxilane T, in multiple phases, extending from the area adjacent to Taxilane S to the west ends of Runways 7L-25R and 6R-24L. This project is estimated to cost a total of $111 million and be substantially completed by June 2017.

- ***West maintenance facility pad and infrastructure:*** The development of a 42-acre site to accommodate aircraft hangars and aircraft apron and parking areas. This project is estimated to cost a total of $101 million and be completed in FY 2017.

- ***Other miscellaneous projects***: A range of other projects in the terminals, airfield, apron, access, and commercial areas of the Airport, including allowances for the capital renewal of current facilities. There projects are estimated to cost a total of $498 million during the forecast period.

Preliminary Stage Projects

Projects in this category total in the range of $4.5 billion to $5.5 billion and include the following:

- ***ConRAC Facility***: The development of an approximately 6 million -square-foot, 8,000 ready/return space ConRAC in the Manchester Square area to centralize the rental car operations at the Airport.

- ***Intermodal Transportation Facility (ITF)***: The development of facilities to serve as a connection and transfer point for bus and rail systems at the Airport.

- ***Automated People Mover (APM)***: The development of a 2.25 mile-long APM connecting all the terminals in the CTA with the ITF and the ConRAC.

SUMMARY OF CAPITAL PROGRAM FUNDING

Several funding sources are expected to be available to finance the improvements in the Capital Program, including the following sources, as shown in more detail for the Series 2015DE Senior Bond Projects and the Other Committed and Planned Projects in Exhibit A-2.

Federal and State Grants

The Department expects to receive a total of $285 million in federal grants for projects in the Capital Program for the period through FY 2021. These grants primarily consist of $162 million of anticipated federal Airport Improvement Program (AIP) grants and $123 million of TSA grants, which are approved and dispensed by the FAA and the TSA, respectively. AIP grants encompass both entitlement grants and discretionary grants; entitlement grants are determined on a formula based on passenger numbers, while discretionary grants are determined by the FAA based on the nature of the specific project in comparison with projects at other airports in the FAA region. The Department intends to apply the majority of its AIP discretionary and entitlement grants to airfield related projects. During federal fiscal year 2014, the Department received a total of $27.9 million in AIP grant funding.

The Department has also executed Other Transaction Agreements with the TSA, under which it has received $235 million of grants related to Checked Baggage Inspection System improvements at various terminals.

Any reductions in AIP and TSA grant funding amounts below the $285 million total assumed for this analysis may necessitate the Department to issue additional Bonds to make up for the shortfall (and include the associated debt service in the airline rate base), or fund those shortfalls with PFCs, or with other available Department funds such as unrestricted cash balances.

The Department is not anticipating State grants for the projects in the Capital Program.

Bonds

The Department (acting through the Board) intends to issue the Series 2015DE Senior Bonds to:

- Finance a portion of the Series 2015DE Senior Bond Projects
- Make a deposit to the Senior Bond reserve fund
- Fund capitalized interest on the Series 2015DE Senior Bonds, and
- Pay issuance and financing costs associated with the Series 2015DE Senior Bonds

The Department expects to issue additional Senior Bonds after the proposed Series 2015DE Senior Bonds to fund approximately $2.0 billion of capital costs associated with the Series 2015DE Senior Bond Projects and the Other Committed and Planned Projects from FY 2016 to FY 2021. The Department also expects to issue additional Subordinate Bonds to fund approximately $345.1 million of capital costs associated with the Series 2015DE Senior Bond Projects and the Other Committed and Planned Projects from FY 2016 to FY 2021.

The Department may need to issue additional Senior and/or Subordinate Bonds during FY 2017 to FY 2023 to fund costs related to the Preliminary Stage Projects (primarily the APM). These additional Senior and/or Subordinate Bonds would be in addition to those described above for the Other Committed and Planned Projects and are not reflected in the financial forecasts included in this Report. The Department is currently investigating its options for funding the Preliminary Stage Projects.

Passenger Facility Charges

As shown in Exhibit A-2, the Department anticipates spending $411 million of PFC revenues on a pay-as-you-go basis for projects in the Capital Program. Additionally, PFC revenues are expected to pay a portion of the debt service on certain outstanding Senior Bonds that financed PFC eligible projects. As described more fully in Section 3, PFC revenues are not included in Pledged Revenues pursuant to the Senior Indenture or the Subordinate Indenture. However, the Department annually applies a certain amount of PFC revenues to the payment of Senior Bond debt service. During FY 2014 and FY 2015, a total of $96.5 million and $91.0 million in PFC revenues, respectively, were applied to debt service.

The total amount of authorized PFC collections under the Department's approved PFC applications, as amended, is $3.1 billion, which is projected to be fully collected by approximately October 1, 2023. As of June 30, 2015, the Department had collected a total of $2.2 billion in PFC revenues (including associated interest income), including $513.8 million in PFC revenues collected but not yet expended.

Exhibit D-2 shows the forecast collection of PFC revenues during the forecast period and the projected application of those PFC revenues. It was assumed that the PFC levy per eligible enplaned passenger would remain at $4.50 throughout the forecast period. Annual PFC revenues are forecast to increase from $138.0 million in FY 2016 to $150.9 million in FY 2021 (including PFC restricted interest income). The Department plans to apply between $118.0 million and $169.5 million to debt service annually during the forecast period.

Department Funds

The Department generates significant cash flow annually from the operations of the Airport, after all obligations pursuant to the flow of funds in the Senior Indenture have been fulfilled. As of July 1, 2015, the Department had an unrestricted cash balance of $377.8 million available in the LAX Revenue Account, which could be available for capital projects. During FY 2015, net cash flow from Airport operations was approximately $265 million (i.e., after the fulfillment of all obligations in the flow of funds shown earlier in Figure 15). The Department is forecast to generate approximately $2 billion in total cash flow during the period FY 2016 to FY 2021 (ranging between $347 million and $434 million per year).

The Department anticipates investing $1.6 billion of Department funds in Capital Program projects during the forecast period.

Other Funding Sources

Additional sources of funds available to the Department to finance Airport capital improvements include third party funding sources and special facilities funding. These types of funding may be used for certain categories of projects in the Capital Program.

In particular, the Department is currently evaluating its options for funding the development of the Preliminary Stage Projects—primarily the ConRAC, APM system, and ITF. The Department may issue special facility bonds or enter into other financing arrangements backed by its CFC revenue stream to finance the ConRAC. CFC revenues collected at the Airport are not included in Pledged Revenues.

The Department is investigating public-private partnerships, among other potential approaches, to finance the development of the APM and ITF.

OTHER POTENTIAL AIRPORT CAPITAL IMPROVEMENTS

As noted earlier, the Department expects to continue to develop and finance needed capital improvements at the Airport, including repair and rehabilitation of existing facilities, and development of new facilities to accommodate anticipated airline traffic demand at the Airport. These projects would only be undertaken as needed, based on market demand for airfield facilities, terminal facilities, gates, and landside facilities. Such projects, if any, are outside the current Capital Program as shown in Exhibit A-1, and are not reflected in the financial forecasts described in this Report.

5. FINANCIAL ANALYSIS

Our study was undertaken to evaluate the ability of the Department to generate sufficient Net Pledged Revenues to meet the requirements of the Senior Indenture and the Subordinate Indenture, taking into account Annual Debt Service on the currently Outstanding Senior and Subordinate Bonds, the proposed Series 2015DE Senior Bonds, and the anticipated future Senior Bonds and Subordinate Bonds to be issued during the forecast period. The forecast period for this Report extends to FY 2021.

The financial data for FY 2013 and FY 2014 reflect the actual operating results of the Department. The financial data for FY 2015 reflect unaudited results; the financial data for FY 2016 reflect the Department's budget (adjusted primarily to reflect the proposed Series 2015DE Senior Bond debt service as described below). Data for FY 2017 through FY 2021 were forecast by considering historical operating results, the unaudited results for FY 2015, the Department's FY 2016 Budget, and the aviation activity forecasts described in Section 2, among other factors.

To provide the basis for the financial analysis, the following are presented: annual debt service requirements, LAX M&O Expenses, Pledged Revenues, application of Pledged Revenues, debt service coverage, a summary of financial forecasts, and a hypothetical sensitivity scenario.

ANNUAL DEBT SERVICE REQUIREMENTS

Exhibit B-1 presents a summary of estimated sources and uses of funds for the proposed Series 2015DE Senior Bonds. Public Resources Advisory Group (PRAG), the Department's co-financial adviser, provided the estimated sources and uses of funds based on certain data and information provided by the Department. For purposes of this Report, it was assumed that the proposed Series 2015DE Senior Bonds are to be issued as fixed-rate securities, amortized over the useful lives of the individual projects being funded with Bond proceeds, and with a final maturity of 30 years. An estimated all-in true interest cost of 4.31% on the Series 2015DE Senior Bonds was provided by PRAG in September 2015.

Exhibit B-1 also presents a summary of the estimated sources and uses of funds for the anticipated future Senior Bonds and Subordinate Bonds, which are expected to be issued during the forecast period, although the timing and amount of these issues may change based on future events and circumstances. The estimated sources and uses of funds for the future Bonds were also provided by PRAG, based on certain data and information provided by the Department. These planned Senior Bonds and Subordinate Bonds were assumed to be issued at a true interest cost 6.00%, to be amortized over the useful lives of the individual projects being funded with bond proceeds, and to have a final maturity of 30 years. A summary of the Series 2015DE Senior Bonds and the future Senior Bond and Subordinate Bond issues assumed for purposes of this Report is shown in Table 15.

Table 15

SUMMARY OF SERIES 2015DE SENIOR BONDS AND FUTURE BONDS

Los Angeles International Airport

		Future Senior Bonds (by Calendar Year of issue)					
	2015DE	2016	2017	2018	2019	2020	2021
Principal amount ($ millions)	318.8	818.3	817.9	432.9	193.7	81.4	27.6
Project costs ($ millions)	312.9	672.8	693.0	364.7	159.6	68.5	24.5
Final Maturity	2045	2046	2047	2048	2049	2050	2051
Assumed all-in true interest cost	4.31%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

		Future Subordinate Bonds (by Calendar Year of issue)					
	2015	2016	2017	2018	2019	2020	2021
Principal amount ($ millions)	--	136.8	118.4	88.5	37.4	8.7	--
Project costs ($ millions)	--	118.9	104.7	79.9	33.8	7.9	--
Final Maturity	n.a.	2046	2047	2048	2049	2050	n.a.
Assumed all-in true interest cost	n.a.	6.00%	6.00%	6.00%	6.00%	6.00%	n.a.

n.a. Not applicable.

Source: Public Resources Advisory Group, September 2015.

Exhibit B-2 shows annual debt service for all current and anticipated future Senior and Subordinate Bonds necessary to fund the projects described in Exhibit A-1 and A-2, to be issued under the Senior Indenture and the Subordinate Indenture during the forecast period, including the proposed Series 2015DE Senior Bonds. Senior Bond debt service, net of applicable PFCs, is forecast to increase from $110.2 million in FY 2015 to $255.7 million in FY 2021. Subordinate Bond debt service is forecast to increase from $55.4 million in FY 2015 to $90.6 million in FY 2021.

In addition to the Senior Bond and Subordinate Bond debt service, the Department also employs a commercial paper program to assist with short-term borrowing needs. The commercial paper program is currently capped at $500 million in principal and $45 million in annual interest. No commercial paper funding for new capital spending was assumed during the forecast period, although the Department may issue commercial paper from time to time to meet project cash expenditure requirements, and later refund those commercial paper balances with the proceeds of Senior Bonds and/or Subordinate Bonds. The Department has budgeted $179,000 in commercial paper interest payments for FY 2016, and it was assumed that commercial paper interest would be $500,000 per year from FY 2017 to FY 2021 (assuming a commercial paper principal balance of approximately $50 million – the Department's approximate current outstanding commercial paper balance – is maintained during the forecast period). The increase in interest payments would result from assumed higher yields on commercial paper balances.

Since the financial forecasts in this Report reflect only funding of those projects whose level of certainty is high and for which firm schedule and cost estimates are available—i.e., the Series 2015DE Senior Bond Projects and the Other Committed and Planned Projects, as discussed in Section 4—the Department may also issue additional Senior and/or Subordinate Bonds during the forecast period to fund those projects referenced in Section 4 as the Preliminary Stage Projects. As mentioned in Section 4, the largest single component of the Preliminary Stage Projects is LAMP. The actual level of future debt issuance by the Department will ultimately depend on the scope, cost, implementation schedule, and plan of finance for the Preliminary Stage Projects.

The Department intends to closely monitor aviation activity levels at the Airport, the Department's financial position, Airport operational factors, and general financial market conditions, and make adjustments as needed to its Capital Program phasing, overall debt levels, and airline costs per enplaned passenger levels to ensure that needed Airport facilities are provided on a timely basis and in a manner that will not adversely affect the Airport's competitive position or financing capability.

LAX M&O EXPENSES

As defined in the Senior Indenture, LAX M&O Expenses are defined as substantially all operating and maintenance expenses of the Airport, excluding depreciation and any M&O expenses of the Airport payable from moneys other than Pledged Revenues.

Forecast LAX M&O Expenses for FY 2017 through FY 2021 are based on the Department's FY 2016 budget and its plan for operating Airport facilities through the forecast period. LAX M&O Expenses were forecast using FY 2016 as the base year, with assumed inflationary and real (net of inflation) increases in the cost of labor, services, utilities, and supplies, as well as the effect of new facilities coming into service during the forecast period.

Exhibit C shows LAX M&O Expenses for the forecast period, as determined in accordance with the Senior Indenture. In total, LAX M&O Expenses (including Equipment and Vehicles) are forecast to increase from $687 million budgeted for FY 2016 to $943 million in FY 2021, representing an average annual increase of 6.6% per year.

For the purposes of this Report, the following assumptions were used:

- The cost of salaries and benefits represents the largest single M&O Expense item (55% of total FY 2016 budgeted LAX M&O Expenses). This item was assumed to increase on average 7.3% per year during the forecast period, which reflects assumed inflation and a real (net of inflation) increase.

- Contractual services represents the second largest LAX M&O Expense item (28% of total FY 2016 budgeted LAX M&O Expenses), and is comprised of various technical, professional service, management, and other miscellaneous contracts. This item was assumed to increase on average 5.4% per year during the forecast period.

- Materials and supplies comprises 7% of FY 2016 budgeted LAX M&O Expenses and was assumed to increase on average 5.4% per year during the forecast period.

- Utilities, comprised of water, gas, electrical, and telecommunication expenses, represents 7% of FY 2016 budgeted LAX M&O Expenses and were assumed to increase 7.3% on average per year during the forecast period.

- Administrative services, representing approximately 1% of FY 2016 budgeted LAX M&O Expenses, includes costs associated with travel, training, tuition reimbursement, professional memberships, and other miscellaneous administrative expenses and was assumed to increase on average 4.5% per year during the forecast period.

- Advertising and public relations represents less than 1% of FY 2016 budgeted LAX M&O Expenses and includes those costs associated with marketing the Airport both internationally and locally. This item was assumed to increase by 4.5% per year throughout the forecast period.

- Other Operating Expenses, which represents 2% of FY 2016 budgeted LAX M&O Expenses, is comprised of those costs not classified in any of the other categories and represents a variety of miscellaneous expenses. This item was forecasted to increase by 4.5% per year throughout the forecast period.

Included in the forecast are incremental LAX M&O Expenses associated with new facilities. These include allowances for the following projects:

- ***Terminal Four Connector***: Approximately $2.9 million in incremental LAX M&O Expenses beginning in FY 2017

- ***Midfield Satellite Concourse – North***: Approximately $32.3 million in incremental LAX M&O Expenses beginning in FY 2020

- ***Terminal 3 Connector***: Approximately $3.2 million in incremental LAX M&O Expenses beginning in FY 2021, and

- ***Terminal 1.5***: Approximately $15.2 million in incremental LAX M&O Expenses beginning in FY 2021

The allocation of LAX M&O Expenses to Airport Cost Centers, as shown in Exhibit C, was based on the Department's procedures and cost accounting system.

PLEDGED REVENUES

Pledged Revenues consist of substantially all airline revenues and nonairline revenues generated from the operation of the Airport. Table 16 shows Airport operating revenues, which exclude interest income and certain other non-operating revenue items that are included in Pledged Revenues. Exhibit D-1 presents actual Pledged Revenues of the Department for FY 2013 and FY 2014, unaudited Pledged Revenues for FY 2015, budgeted Pledged Revenues for FY 2016, and forecast Pledged Revenues for FY 2017 through FY 2021.

Airline Revenues

Landing Fee and Apron Fee Revenues. The calculation of the landing fee and apron fee rate and landing fee and apron fee revenues is shown in Exhibit E-1, which reflects the methodology described in the operating permits the airlines hold for the use of airfield and apron facilities at the Airport. The operating permits are described in Section 3.

Allocated costs of the airfield and apron areas include the following: LAX M&O expenses, asset amortization for Department-funded assets, debt service, debt service coverage (if needed), LAX M&O Reserve funding, and (in the case of the landing calculation, but not in the case of the apron fee calculation) the net costs of operating the Department's general aviation reliever facility—Van Nuys Airport.

The resulting net amounts are then divided by the landed weight of the airlines to calculate a landing fee rate and an apron fee rate.

The landing fee rate is forecast to increase from $3.46 per 1,000 pounds of landed weight charged in FY 2016 to $4.25 per 1,000 pounds of landed weight in FY 2021. Landing fee revenues are forecast to increase from $196.0 million to $259.0 million over the same period.

Table 16
OPERATING REVENUE SUMMARY
For Fiscal Years Ending June 30

	Budget 2016		Forecast 2021		
	Amount	Percent of total	Amount	Percent of total	Forecast CAGR
Aviation revenues					
Terminal building rentals	$ 376,980	32.3%	$ 672,792	40.4%	12.3%
Landing and apron fees	245,173	21.0	335,766	20.2	6.5%
Aviation revenue total	$ 622,153	53.3%	$1,008,558	60.6%	10.1%
Other aviation revenues	$ 169,666	14.5%	$ 186,319	11.2%	1.9%
Concession revenue					
Auto parking	$ 86,448	7.4%	$ 97,263	5.8%	2.4%
Duty free	72,577	6.2	100,694	6.1	6.8
Car rental	84,362	7.2	103,522	6.2	4.2
Food & beverage	20,510	1.8	29,644	1.8	7.6
Gifts & news	11,494	1.0	13,682	0.8	3.5
Bus, limo & taxi	23,711	2.0	29,137	1.8	4.2
Foreign exchange	7,083	0.6	8,704	0.5	4.2
Telecommunications	809	0.1	809	0.0	0.0
Other concession revenue	5,519	0.5	6,782	0.4	4.2
Terminal advertising	26,000	2.2	30,632	1.8	3.3
Terminal commercial management	34,585	3.0	45,605	2.7	5.7
Concession revenue total	$ 373,098	32.0%	$ 466,474	28.0%	4.6%
Airport sales and services	$ 745	0.1%	$ 840	0.1%	2.4%
Miscellaneous revenues	$ 1,326	0.1%	$ 1,491	0.1%	2.4%
Total operating revenues	$1,166,988	100.0%	$1,663,682	100.0%	7.3%

Source: The Department for budget FY 2016, LeighFisher for forecast FY 2021.

The apron fee rate is forecast to increase from $0.92 per 1,000 pounds of landed weight charged in FY 2016 to $1.48 per 1,000 pounds of landed weight in FY 2021. Apron fee revenues are forecast to increase from $46.8 million to $76.7 million over the same period.

Terminal Rentals. As described in Section 3, the Department's arrangements with the airlines for the occupancy and use of terminal space include the Passenger Terminal Tariff and Rate Agreement, and a separate agreement with American Airlines for the occupancy and use of Terminal 4.

Under the Passenger Terminal Tariff, an equalized terminal rental rate is calculated across all the terminals (except for Terminal 4) in accordance with commercial compensatory rate making principles. Additionally, a range of other terminal related charges have been established as part of the Passenger Terminal Tariff, including an FIS fee, common use area fees and charges, and special charges (fees of custodial services, outbound baggage system fees, and loading bridge use charges, among others).

Under the Rate Agreement, the Department and the airlines agreed to a phased introduction to the full terminal rental rates calculated under the Passenger Terminal Tariff, with discounts to the full rate being given through calendar year 2017. Starting in calendar year 2018, the full Passenger Terminal Tariff will be charged, with no discount.

Total airline terminal rental revenues increased from $207.3 million in FY 2013 to $305.4 million in FY 2015. Terminal rental revenues are forecast to increase to $672.8 million in FY 2021, reflecting the phase out of the discounts on the Passenger Terminal Tariff and increased levels of allocated debt service associated with the implementation of the terminal-related projects in the Capital Program.

Total Airline Revenues and Airline Costs per Enplaned Passenger. As shown in Exhibit E-2, airline payments per enplaned passenger are forecast to increase from $16.02 estimated for FY 2016 to $23.99 in FY 2021 primarily reflecting additional debt service associated with the Series 2015DE Senior Bonds and future Senior and Subordinate Bonds to be issued to implement the Capital Program. The enplaned passenger forecasts underlying these figures are described in Section 2, and such enplanement forecasts took into account the anticipated increases in airline cost levels associated with the Capital Program, among numerous other factors.

Aviation Revenues

The Department generates revenues from aviation sources in addition to fees and charges paid by the airlines. It was assumed that the Department's current operating practices related to the other aviation revenue items would remain generally unchanged during the forecast period; and where applicable, expiring contracts and agreements would be renewed or replaced on generally the same terms as the current contracts and agreements.

Revenues in this category include land rentals, aircraft parking, fuel fees, and other miscellaneous aviation revenue generated by aeronautical users not captured in another category. Aviation Revenues are budgeted to be $169.7 million in FY 2016 and are forecast to increase to $186.3 million in FY 2021, primarily due to inflationary pricing increases and increases in landed weight.

Concession Revenues

Concession revenues include revenues generated from automobile parking, duty free, automobile rentals, gifts and news retail, food and beverage, and other miscellaneous concessions. It was assumed that the Department's current operating practices related to concession revenues would remain generally unchanged during the forecast period unless otherwise noted; where applicable, expiring contracts and agreements would be renewed or replaced on generally the same terms as the current contracts and agreements. These revenues are described below and shown in Exhibit D-1.

Automobile Parking. Automobile parking revenues consist of all revenues derived from public parking at the Airport, including approximately 18,572 public parking spaces in parking garage and surface lots, as described in Section 1. The remote long-term parking facility, Lot C, is served by shuttle bus. Parking rates are $3 for the first hour or fraction thereof and $2 each 30 minutes after the first hour up to a maximum of $30 for each 24 hours in the CTA parking structures. Rates for Lot C are $4 for the first hour or fraction thereof and $4 for each additional hour or fraction thereof up to a maximum of $12 for each 24 hour period.

Revenues from the Department's parking operation increased from $73.9 million in FY 2013 to $85.8 million in FY 2015. FY 2016 budgeted parking revenues are $86.4 million.

Parking revenues were forecast as a function of originating passengers, parking transactions per passenger, and revenue per transaction. The parking revenue forecast for FY 2021 is $97.3 million. This reflects a $2 million annual reduction from FY 2017 through FY 2021 due to anticipated impacts on the Department's parking revenues due to construction projects associated with the implementation of LAMP (in particular, the construction of an APM system in the CTA). For purposes of this Report, it was assumed that parking rates would be adjusted upwards by an average of 1% annually during the forecast period.

Duty Free. The Department has a contract with the DFS for duty free merchandise sales at the Airport, as described in Section 3. The agreement with DFS provides for payment to the Department of a certain percentage of the concessionaire's gross sales at the Airport, subject to a MAG, plus 10% of any gross sales over $175.0 million. In FY 2013 duty free revenues of the Department were $50.4 million, increasing to $64.0 million in FY 2015. The increase is largely due to the completion of the Bradley West project and strong growth in international passenger traffic.

The Department's duty free revenues are forecast to total $100.7 million by FY 2021, representing a real (net of inflation) increase in spend rate per international passenger from $7.05 in FY 2016 to $8.53 in 2021. This increase is driven by the Bradley West project becoming fully operational, along with improvements to the duty free program as part of the Terminal 2 project.

Rental Cars. Rental car revenues consist of concession fees from rental car companies. Under the terms of the current agreements with the rental car companies, the companies pay a privilege fee to the Department equivalent to 10% of their gross revenues, subject to MAGs. Rental car concession fee revenues increased from $70.5 million in FY 2013 to $78.6 million in FY 2015 attributable primarily to passenger activity growth.

Rental car concession fee revenues from on-Airport operators are forecast to increase from a budgeted amount of $84.4 million in FY 2016 to $103.5 million in FY 2021, which is equivalent to an average annual increase of 3.5% over the forecast period. This reflects growth in passenger activity as well as anticipated pricing increases on a per passenger basis.

Gifts and News/Food and Beverage and Terminal Commercial Management. These revenue items consist of concession fees paid by gift and retail and food and beverage concessionaires in the terminals. As described in Section 3, the Department directly manages the concession programs in Terminals 4, 5, 7, and 8; the Department has two separate contracts with Westfield Concession Management (Westfield) to develop and manage the concession programs in Terminals 1, 2, 3, 6, and the TBIT.

The gifts and news and food and beverage line items shown in Exhibit D-1 reflect revenues from Terminals 4, 5, 7, and 8. The terminal commercial management line item shown in Exhibit D-1 reflects revenue from two agreements entered into with Westfield to provide retail/food and beverage products in Terminals 1, 2, 3, 6, and the TBIT.

Revenues in these categories combined totaled $58.4 million in FY 2013, $67.1 million in FY 2014, and $65.4 million in FY 2015. The increase from FY 2013 to FY 2014 is a function of the facilities associated with the new Westfield agreements coming into service. The reduction from FY 2014 to FY 2015 primarily reflects reduced revenues due to terminal renovation projects which involved closing some concession space during this period.

The forecasts of gifts and news and food and beverage revenues and terminal commercial management revenues were developed together based on combined per passenger spend rates for the three categories. It was assumed that by FY 2017, the combined spend rate for these three revenue categories would return to the FY 2014 actual level of $1.95 per passenger, reflecting the completion of several terminal renovation projects and the re-opening of concession space. Thereafter the combined per passenger spend rate was forecast to increase with inflation until the assumed first full year of operation of the Midfield Satellite Concourse—North when the spend rate was forecast to increase by 5% in both FY 2020 and FY 2021. By FY 2021 combined revenues in these categories are forecast to total $88.9 million.

Bus, Limousine, and Taxi. These revenues consist of per trip fees generated by ground transportation service providers, including Flyaway Bus Service. In FY 2013 these revenues were $18.0 million, increasing to $23.0 million in FY 2015. Bus, limousine, and taxi revenues are budgeted to total $23.7 million for FY 2016.

By FY 2021 these revenues are forecast to increase to $29.1 million. The forecast is driven by a combination of inflationary increases and growth in passengers. For the purposes of this Report, no impact was assumed for the provision of ground transportation services by transportation network companies at the Airport (such as Uber and Lyft) which were approved for Airport operations by the Los Angeles City Council in August 2015.

Terminal Advertising. Revenues in this category are from advertising throughout the nine passenger terminals. Terminal advertising revenues are budgeted to be $26.0 million in FY 2016, increasing to $30.6 million in FY 2021.

Other Concession Revenues. These revenues consist of nonairline revenues from terminal and other building space, and miscellaneous fees and charges. Other concession revenues are budgeted to be $13.4 million in FY 2016 and are forecast to increase to $16.3 million in FY 2021.

Airport Sales and Services. Revenues in this category represent miscellaneous revenues accrued by the Department for the provision of goods and services to the Airport's users, such as van pool fees, accommodations, utilities, ID badges, and other miscellaneous revenues. Airport sales and services are budgeted to be $0.7 million in FY 2016 and are forecast to increase to $0.8 million in FY 2021.

Miscellaneous Revenues. These revenues primarily consist of miscellaneous revenues associated with the sale of property and equipment, traffic tickets, and impound fees. Miscellaneous revenues are budgeted to be $1.3 million in FY 2016 and are forecast to remain relatively flat through the forecast period.

Other Items. These revenues primarily consist of federal tax subsides received by the Department with respect to the Build America Bonds issued by the Department in 2009 and 2010 and interest earnings on certain Department interest earning accounts. Specifically, interest earnings on the LAX Revenue Account, the debt service reserve funds, and the LAX M&O Reserve Fund are classified as Pledged Revenues per the Senior Indenture. Interest earnings are estimated to increase due to an assumed increase in the interest earning rates and an increase in the LAX Revenue Account and debt service reserve fund balances, reflecting the full implementation of the Terminal Rate Agreement and additional Senior and Subordinate Bonds assumed to be issued during the period.

In addition to the Build America Bond subsidy and interest earnings, revenues included in this category include non-operating TSA revenue for FY 2013 to FY 2015. Other items are budgeted to total $29.5 million in FY 2016 and are forecast to total $48.9 million in FY 2021.

APPLICATION OF REVENUES

Exhibit F presents the forecast application of Pledged Revenues for FY 2016 through FY 2021 in accordance with the provisions of the Senior Indenture.

After fulfillment of the higher priority funding obligations described in Article IV of the Senior Indenture, all remaining amounts are available for any lawful purpose related to LAX, as directed by the Board.

DEBT SERVICE COVERAGE

Exhibit G presents Pledged Revenues; LAX M&O Expenses; debt service requirements for current outstanding Senior and Subordinate Bonds, estimated debt service requirements on the proposed Series 2015DE Senior Bonds, and anticipated debt service on future Senior Bonds and Subordinate Bonds assumed to be issued during the forecast period; and debt service coverage.

Forecast Debt Service Coverage

In each year of the forecast period, Net Pledged Revenues (excluding Transfers) are forecast to exceed the requirements of the Rate Covenants contained in the Senior Indenture and the Subordinate Indenture. The forecast debt service coverage reflects the effects of the Department's anticipated Senior Bond and Subordinate Bond issuances during the forecast period, specifically the proposed Series 2015DE Senior Bonds and the anticipated future Senior Bonds and Subordinate Bonds to be issued during the forecast period to fund the Series 2015DE Senior Bond Projects and the Other Committed and Planned Projects as described in Section 4. Senior debt service coverage is forecast to decline from 554% estimated in FY 2016 to 305% in FY 2021, primarily due to an increase in annual debt service on the Senior Bonds. The forecast Senior Bond coverage exceeds 125% in each year of the forecast period.

Subordinate Bond debt service coverage is forecast to decline from 683% in FY 2016 to 574% in FY 2021, reflecting the impact of additional Subordinate Bond issuance during the forecast period. The forecast Subordinate Obligation coverage exceeds 115% in each year of the forecast period.

Thus, the Rate Covenant provisions of the Senior Indenture and the Subordinate Indenture are forecast to be met in each Fiscal Year of the forecast period.

SUMMARY OF FINANCIAL FORECASTS

Exhibit H summarizes the forecast financial results of the Department presented in Exhibits A through G, as discussed in the preceding sections, and includes the calculation of airline costs per enplaned passenger based on such data. Pledged Revenues and LAX M&O Expenses were forecast using the forecast of enplaned passengers and aircraft landed weight presented in Section 2 of this Report.

SENSITIVITY SCENARIO

Exhibit I is an identical presentation of financial projections for a hypothetical sensitivity scenario. The hypothetical sensitivity scenario is based on the same assumptions described in the sections above, except:

- Beginning in FY 2017, the number of enplaned passengers, and all other related airline traffic activities, reflects a 17% decline in activity. This percentage decrease in activity mirrors the decline in activity at the Airport due to the September 11, 2001, terrorist attacks.

- In each subsequent year (FY 2018 to FY 2021) the number of enplaned passengers, and all other related airline traffic activities, reflects the annual percentage recovery experienced at LAX from during the FY 2002 to FY 2006 period.

This scenario tests the impact of a sudden shock, and gradual recovery, in aviation activity on the Department's ability to meet its financial obligations under the Senior Indenture and the Subordinate Indenture. Under this hypothetical scenario, the Department would still generate sufficient Net Pledged Revenues to meet the requirements of the Rate Covenants set forth in the Senior and Subordinate Indentures, although debt service coverage would be lower than under the base case forecasts. Passenger airline costs per enplaned passenger would increase to $29.10 in FY 2021, compared with $23.99 in FY 2021 under the baseline.

In the event that enplaned passenger levels actually declined substantially, the Department would have a range of options at its disposal to mitigate the effects of such a downturn. Among them would be the ability to reduce LAX M&O Expenses, to defer capital improvements, and to reduce the levels of future Bond issuance.

Exhibit A-1
CAPITAL PROGRAM
Los Angeles International Airport
(for Fiscal Years ending June 30, dollars in millions)

	Total Costs	Through 2015	2016	2017	2018	2019	2020	2021	Total Costs
Series 2015DE Senior Bond Projects (a)									
Bradley West Interior Enhancements	$ 371.4	$ 242.9	$ 122.7	$ 5.8	$ -	$ -	$ -	$ -	$ 371.4
Second Level Roadway and New Face of the CTA	115.8	66.4	49.4	-	-	-	-	-	115.8
Terminal 1 Improvement Project	526.0	-	105.6	49.8	197.5	173.2	-	-	526.0
Terminal 2 Improvement Project	215.9	47.0	60.3	78.7	29.9	-	-	-	215.9
Terminal 5 Improvement Project	200.6	134.6	66.0	-	-	-	-	-	200.6
Terminals 6/7/8 Improvement Project	538.1	-	51.0	309.7	89.5	87.9	-	-	538.1
Terminal Commercial Management Acquisitions	144.7	47.1	81.2	16.3	-	-	-	-	144.7
Total Series 2015DE Senior Bonds Projects	**$ 2,112.4**	**$ 538.1**	**$ 536.1**	**$ 460.3**	**$ 316.9**	**$ 261.1**	**$ -**	**$ -**	**$ 2,112.4**
Other Committed and Planned Projects									
Terminal									
Midfield Satellite Concourse - Phase 1	$ 1,409.6	$ 30.1	$ 71.9	$ 374.1	$ 535.0	$ 305.0	$ 93.5	$ -	$ 1,409.6
Elevators and Escalators Replacements	252.2	161.0	50.6	40.6	-	-	-	-	252.2
Terminal 4 Buyout	220.0	-	-	220.0	-	-	-	-	220.0
Terminal 1.5	200.0	0.2	4.6	6.5	20.0	85.0	50.0	33.7	200.0
Terminal 3 Connector	175.0	-	1.8	7.8	23.0	55.0	60.0	27.5	175.0
Terminal 4/TBIT Connector Building	174.3	85.0	89.3	-	-	-	-	-	174.3
Other Terminal Improvement Projects (b)	239.6	30.1	114.5	74.9	20.2	-	-	-	239.6
Terminal Total	$ 2,670.7	$ 306.4	$ 332.6	$ 723.8	$ 598.2	$ 445.0	$ 203.5	$ 61.2	$ 2,670.7
Airfield and Apron									
Runway Safety Area Improvements	$ 170.3	$ 18.3	$ 81.2	$ 70.3	$ 0.5	$ -	$ -	$ -	$ 170.3
Taxilane T	111.0	51.4	8.0	43.5	8.1	-	-	-	111.0
West Maintenance Facility Pad and Infrastructure	100.7	37.2	54.7	8.7	-	-	-	-	100.7
Other Airfield and Apron Projects (c)	65.3	1.4	41.7	7.4	8.9	4.0	1.9	-	65.3
Airfield and Apron Total	$ 447.3	$ 108.4	$ 185.6	$ 130.0	$ 17.5	$ 4.0	$ 1.9	$ -	$ 447.3
Other Projects									
Noise Mitigation and Soundproofing	$ 356.3	$ 161.3	$ 60.0	$ 65.0	$ 40.0	$ 20.1	$ 10.0	$ -	$ 356.3
Infrastructure Projects	49.0	15.3	25.4	3.6	4.7	-	-	-	49.0
Information Technology (IT) Projects	38.3	14.4	21.5	2.5	-	-	-	-	38.3
Landside Projects (Parking & Roadway Improvements)	25.3	4.7	8.6	5.1	5.8	1.2	-	-	25.3
Miscellaneous Projects (d)	80.3	-	8.7	18.4	48.3	3.6	1.4	-	80.3
Other Projects Total	$ 549.3	$ 195.6	$ 124.1	$ 94.6	$ 98.8	$ 24.9	$ 11.4	$ -	$ 549.3
Total Committed and Planned Projects	**$ 3,667.3**	**$ 610.3**	**$ 642.3**	**$ 948.3**	**$ 714.5**	**$ 473.9**	**$ 216.8**	**$ 61.2**	**$ 3,667.3**
Total	**$ 5,779.8**	**$ 1,148.4**	**$ 1,178.4**	**$ 1,408.6**	**$ 1,031.4**	**$ 735.0**	**$ 216.8**	**$ 61.2**	**$ 5,779.8**

(a) The costs shown under the Series 2015DE Senior Bond Projects category reflect costs for all project phases for these items, and not just the individual phases identified for partial funding with Series 2015DE Senior Bond proceeds.
(b) Major projects include: Bradley West Outbound Baggage, Terminal 5 Gate and Boarding, Passenger Boarding Bridges (Phase 1, TBIT Relocation), T1-T8 Terminal Minimum Point of Entry and IT Room Expansion, T6 Electrical Upgrades, Fire Life Safety (T2, 4-8), Virgin T3 Lease Improvements and other miscellaneous capital projects related to the Terminal area.
(c) Major projects: Runway 7R-25L Repair / Rehabilitation and West Aircraft Maintenance Area Tenant Improvements (Qantas).
(d) Includes $65 million in capital renewal allowance funding. Other major projects include improvements to the Skyview Facility and the taxi holding lot relocation.
Source: Department of Airports.

Exhibit A-2
CAPITAL PROGRAM SOURCES OF FUNDING
Los Angeles International Airport
(dollars in millions)

	Estimated	Estimated Sources of Funds									
		Grants		Dept.		PFC	Prior	Series 2015DE	Future Bond Proceeds		
	Project Costs	TSA	AIP	Funds	Other	Pay-Go	Bonds	Senior Bonds	Subordinate	Senior	Total
Series 2015DE Senior Bond Projects (a)											
Bradley West Interior Enhancements	$ 371.4	$ -	$ 40.0	$ 69.3	$ -	$ -	$ 220.4	$ 35.9	$ -	$ 5.8	$ 371.4
Second Level Roadway and New Face of the CTA	115.8	-	-	35.8	-	-	50.0	30.0	-	-	115.8
Terminal 1 Improvement Project	526.0	40.4	-	104.9	16.1	-	24.5	58.4	34.2	247.5	526.0
Terminal 2 Improvement Project	215.9	-	-	40.7	-	-	35.0	31.6	-	108.6	215.9
Terminal 5 Improvement Project	200.6	-	-	10.8	11.8	-	102.2	75.8	-	-	200.6
Terminals 6/7/8 Improvement Project	538.1	37.9	-	59.0	39.5	-	30.0	4.8	-	366.9	538.1
Terminal Commercial Management Acquisitions	144.7	-	-	2.0	-	-	50.0	76.4	-	16.3	144.7
Total Series 2015DE Senior Bonds Projects	**$ 2,112.4**	**$ 78.3**	**$ 40.0**	**$ 322.4**	**$ 67.4**	**$ -**	**$ 512.1**	**$ 312.9**	**$ 34.2**	**$ 745.1**	**$ 2,112.4**
Other Committed and Planned Projects											
Terminal											
Midfield Satellite Concourse - Phase 1	$ 1,409.6	$ -	$ 10.0	$ 641.8	$ -	$ 6.0	$ -		$ 156.3	$ 595.5	$ 1,409.6
Elevators and Escalators Replacements	252.2	-	-	44.8	-	110.0	45.2	-	-	52.2	252.2
Terminal 4 Buyout	220.0	-	-	55.0	-	-	-		-	165.0	220.0
Terminal 1.5	200.0	-	-	40.0	-	-	-		-	160.0	200.0
Terminal 3 Connector	175.0	-	-	35.0	-	-	-		-	140.0	175.0
Terminal 4/TBIT Connector Building	174.3	44.7	-	64.3	-	-	65.4	-	-	-	174.3
Other Terminal Improvement Projects (b)	239.6	-	-	112.3	-	2.2	-	-	-	125.2	239.6
Terminal Total	$ 2,670.7	$ 44.7	$ 10.0	$ 993.1	$ -	$ 118.2	$ 110.6	$ -	$ 156.3	$ 1,237.9	$ 2,670.7
Airfield and Apron											
Runway Safety Area Improvements	$ 170.3	$ -	$ 89.9	$ 17.6	$ -	$ -	$ 22.1		$ 40.7	$ -	$ 170.3
Taxilane T	111.0	-	22.4	31.8	-	-	28.6	-	28.2	-	111.0
West Maintenance Facility Pad and Infrastructure	100.7	-	-	11.8	-	-	31.7		57.2	-	100.7
Other Airfield and Apron Projects (c)	65.3	-	-	30.1	-	-	23.7	-	11.5	-	65.3
Airfield and Apron Total	$ 447.3	$ -	$ 112.3	$ 91.3	$ -	$ -	$ 106.1	$ -	$ 137.6	$ -	$ 447.3
Other Projects											
Noise Mitigation and Soundproofing	$ 356.3	$ -	$ -	$ 70.3	$ -	$ 286.1	$ -		$ -	$ -	$ 356.3
Infrastructure Projects	49.0	-	-	49.0	-	-	-		-	-	49.0
Information Technology (IT) Projects	38.3	-	-	30.2	1.0	7.2	-		-	-	38.3
Landside Projects (Parking and Roadway Improvements)	25.3	-	-	25.3	-	-	-		-	-	25.3
Miscellaneous Projects (d)	80.3	-	-	63.3	-	-	-	-	17.0	-	80.3
Other Projects Total	$ 549.3	$ -	$ -	$ 238.1	$ 1.0	$ 293.2	$ -	$ -	$ 17.0	$ -	$ 549.3
Total Other Committed and Planned Projects	**$ 3,667.3**	**$ 44.7**	**$ 122.3**	**$1,322.5**	**$ 1.0**	**$ 411.4**	**$ 216.7**	**$ -**	**$ 310.9**	**$ 1,237.9**	**$ 3,667.3**
Total	**$ 5,779.8**	**$ 123.0**	**$ 162.3**	**$1,644.9**	**$ 68.4**	**$ 411.4**	**$ 728.8**	**$ 312.9**	**$ 345.1**	**$ 1,983.0**	**$ 5,779.8**

(a) The costs shown under the Series 2015DE Senior Bond Projects category reflect costs for all project phases for these items, and not just the individual phases identified for partial funding with Series 2015DE Senior Bond proceeds.

(b) Major projects include: Bradley West Outbound Baggage, Terminal 5 Gate and Boarding, Passenger Boarding Bridges (Phase 1, TBIT Relocation), T1-T8 Terminal Minimum Point of Entry and IT Room Upgrades, Fire Life Safety (T2, 4-8), Virgin T3 Lease Improvements and other miscellaneous capital projects related to the Terminal area.

(c) Major projects include: Runway 7R-25L Repair / Rehabilitation and West Aircraft Maintenance Area Tenant Improvements (Qantas).

(d) Includes $65 million in capital renewal allowance funding. Other major projects include improvements to the Skyview Facility and the taxi holding lot relocation.

Source: Department of Airports.

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Exhibit B-1
SOURCES AND USES OF BOND FUNDS
Los Angeles International Airport
(dollars in thousands)

		Future Series (b)											
		Calendar Year 2016		Calendar Year 2017		Calendar Year 2018		Calendar Year 2019		Calendar Year 2020		Calendar year 2021	
	Series 2015DE Senior Bonds (a)	Issue 1	Issue 2	Issue 1	Issue 2	Issue 1	Issue 2	Issue 1	Issue 2	Issue 1	Issue 2	Issue 1	Total
SENIOR BONDS													
Sources of Funds													
Par amount	$ 318,780	$ 289,030	$ 529,260	$ 521,995	$ 295,860	$ 291,400	$ 141,520	$ 139,355	$ 54,370	$ 53,310	$ 28,115	$ 27,605	$ 2,690,600
Reoffering premium	26,415	-	-	-	-	-	-	-	-	-	-	-	26,415
Total	$ 345,195	$ 289,030	$ 529,260	$ 521,995	$ 295,860	$ 291,400	$ 141,520	$ 139,355	$ 54,370	$ 53,310	$ 28,115	$ 27,605	$ 2,717,015
Uses of Funds													
Estimated project costs	$ 312,943	$ 228,952	$ 443,821	$ 443,821	$ 249,157	$ 249,157	$ 115,578	$ 115,578	$ 44,000	$ 44,000	$ 24,468	$ 24,468	$ 2,295,942
Capitalized interest	4,939	32,730	34,318	27,958	19,556	15,658	12,931	11,071	5,437	4,531	1,124	690	170,942
Debt service reserve fund	22,530	23,012	43,181	42,385	22,710	22,210	10,886	10,616	4,115	3,976	2,097	2,031	209,749
Costs of Issuance	1,594	1,445	2,646	2,610	1,479	1,457	708	697	272	267	141	138	13,453
Underwriters discount	3,188	2,890	5,293	5,220	2,959	2,914	1,415	1,394	544	533	281	276	26,906
Contingency	2	0	2	2	0	4	2	1	2	3	4	2	24
Total	$ 345,195	$ 289,030	$ 529,260	$ 521,995	$ 295,860	$ 291,400	$ 141,520	$ 139,355	$ 54,370	$ 53,310	$ 28,115	$ 27,605	$ 2,717,015
SUBORDINATE BONDS													
Sources of Funds													
Par amount	$ -	$ 78,190	$ 58,560	$ 57,740	$ 60,625	$ 59,820	$ 28,700	$ 28,655	$ 8,700	$ 8,680	$ -	$ -	$ 389,670
Reoffering premium	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	$ -	$ 78,190	$ 58,560	$ 57,740	$ 60,625	$ 59,820	$ 28,700	$ 28,655	$ 8,700	$ 8,680	$ -	$ -	$ 389,670
Uses of Funds													
Estimated project costs	$ -	$ 68,196	$ 50,711	$ 50,711	$ 53,951	$ 53,951	$ 25,919	$ 25,919	$ 7,880	$ 7,880	$ -	$ -	$ 345,117
Capitalized interest	-	2,930	2,264	1,538	1,154	468	226	188	40	25	-	-	8,834
Debt service reserve fund	-	5,889	4,706	4,623	4,607	4,499	2,120	2,114	646	645	-	-	29,849
Costs of issuance	-	391	293	289	303	299	143	143	43	43	-	-	1,948
Underwriters discount	-	782	586	577	606	598	287	287	87	87	-	-	3,896
Contingency	-	2	1	1	4	4	5	4	3	1	-	-	25
Total	$ -	$ 78,190	$ 58,560	$ 57,740	$ 60,625	$ 59,820	$ 28,700	$ 28,655	$ 8,700	$ 8,680	$ -	$ -	$ 389,670

Note: Amounts may not sum due to rounding.

(a) Series 2015DE Senior Bonds assumed to be issued at all-in true interest cost of 4.31%, with a term to final maturity of 30 years, up to two years of capitalized interest, and amortization schedules tied to asset useful lives.
(b) Future Bonds (Senior and Subordinate) assumed to be issued at all-in true interest cost of 6.0%, with a term to final maturity of 30 years, up to two years of capitalized interest, and amortization schedules tied to asset useful lives.
Source: Public Resources Advisory Group, September 30, 2015.

Exhibit B-2 (Page 1 of 2)

NET DEBT SERVICE

Los Angeles International Airport

(for Fiscal Years ending June 30, dollars in thousands)

	Budget	Forecast				
	2016	2017	2018	2019	2020	2021
Existing Senior Bond Debt Service						
Series 2008A	39,702	40,434	40,501	31,671	40,987	33,757
Series 2008B	-	-	-	-	-	-
Series 2009A	21,693	20,960	20,896	29,720	23,191	30,410
Series 2010A	61,883	61,893	61,891	58,651	67,204	62,849
Series 2010D	51,589	51,725	51,877	52,044	52,226	59,889
Series 2012A	11,720	11,584	11,427	11,261	9,884	6,587
Series 2012B	9,073	9,071	9,075	9,074	9,072	9,072
Series 2012C	6,900	6,897	6,895	10,143	-	-
Series 2013A	1,802	8,534	8,534	8,534	8,534	8,534
Series 2015A	8,881	15,027	15,748	17,565	17,573	17,564
Series 2015B	-	2,850	3,136	3,139	3,138	3,140
Subtotal - Existing Senior Bond Debt Service	$ 213,243	$ 228,976	$ 229,979	$ 231,802	$ 231,808	$ 231,802
Future Senior Bond Debt Service						
Series 2015DE	$ 3,043	$ 21,857	$ 22,530	$ 22,530	$ 22,530	$ 22,530
Series 2016-Series 1	983	11,258	12,054	12,113	21,291	22,296
Series 2016-Series 2	-	8,960	28,741	29,234	41,415	42,732
Series 2017-Series 1	-	5,668	28,464	28,940	40,675	41,965
Series 2017-Series 2	-	-	3,611	11,171	19,796	20,749
Series 2018-Series 1	-	-	2,417	11,061	19,394	20,328
Series 2018-Series 2	-	-	-	1,339	4,992	5,130
Series 2019-Series 1	-	-	-	834	4,934	5,069
Subtotal - Future Senior Bond Debt Service	$ 4,026	$ 47,743	$ 97,816	$ 117,221	$ 175,027	$ 180,798
Total Senior Bond Debt Service	$ 217,269	$ 276,719	$ 327,795	$ 349,023	$ 406,835	$ 412,600
Less: PFC Revenues forTerminal Debt Service (a)	$ (123,954)	$ (117,985)	$ (159,663)	$ (169,507)	$ (159,928)	$ (156,879)
Aggregate Annual Senior Debt Service (b)	**$ 93,315**	**$ 158,734**	**$ 168,132**	**$ 179,516**	**$ 246,907**	**$ 255,721**
Allocation to Direct Cost Centers						
Terminal (c)	$ 82,693	$ 145,587	$ 154,747	$ 163,691	$ 235,901	$ 244,745
Apron	549	778	793	1,023	307	304
Airfield	1,985	2,799	2,853	3,669	1,129	1,116
Aviation	2,096	3,007	3,067	3,981	1,131	1,127
Commercial	5,992	6,564	6,673	7,152	8,440	8,428
Subtotal - Total LAX Debt Service	$ 93,315	$ 158,734	$ 168,132	$ 179,516	$ 246,907	$ 255,721
Other Airports (d)	-	-	-	-	-	-
Aggregate Annual Senior Debt Service	**$ 93,315**	**$ 158,734**	**$ 168,132**	**$ 179,516**	**$ 246,907**	**$ 255,721**

Exhibit B-2 (Page 2 of 2)
NET DEBT SERVICE
Los Angeles International Airport
(for Fiscal Years ending June 30, amounts in thousands)

	Budget	Forecast				
	2016	2017	2018	2019	2020	2021
Existing Subordinate Bond Debt Service						
Series 2008C	$ 6,193	$ 6,196	$ 6,191	$ 6,195	$ -	$ -
Series 2009C	27,911	27,767	27,617	27,446	27,267	27,086
Series 2009D	-	-	-	-	-	-
Series 2009E	4,792	4,791	4,793	4,796	4,793	-
Series 2010B	6,726	6,734	6,734	6,734	6,734	8,414
Series 2010C	3,676	4,187	4,187	4,187	4,187	4,187
Series 2013B	2,736	5,274	5,274	5,274	5,274	5,275
Series 2015C	9,779	9,783	9,784	9,785	15,979	15,979
Commercial Paper (e)	179	500	500	500	500	500
Subtotal - Existing Subordinate Bond Debt Service	$ 61,991	$ 65,230	$ 65,079	$ 64,915	$ 64,734	$ 61,440
Future Subordinate Bond Debt Service						
Series 2016-Series 1	-	4,078	5,453	5,895	5,895	5,895
Series 2016-Series 2	-	638	3,296	4,693	4,693	4,705
Series 2017-Series 1	-	357	3,255	4,611	4,611	4,622
Series 2017-Series 2	-	-	1,002	4,206	4,598	4,606
Series 2018-Series 1	-	-	723	4,105	4,490	4,498
Series 2018-Series 2	-	-	-	1,151	1,924	2,042
Series 2019-Series 1	-	-	-	458	1,921	2,036
Series 2019-Series 2	-	-	-	-	346	611
Series 2020-Series 1	-	-	-	-	133	610
Subtotal - Future Subordinate Bond Debt Service	$ -	$ 5,073	$ 13,730	$ 25,120	$ 28,611	$ 29,626
AGGREGATE ANNUAL SUBORDINATE DEBT SERVICE	**$ 61,991**	**$ 70,303**	**$ 78,809**	**$ 90,035**	**$ 93,345**	**$ 91,066**
Allocation to Direct Cost Centers						
Terminal	$ 4,792	$ 4,791	$ 4,793	$ 4,796	$ 4,793	$ -
Apron	8,566	9,621	12,823	21,613	24,471	26,710
Airfield	48,454	55,392	60,693	63,126	63,580	63,856
Aviation	-	-	-	-	-	-
Commercial	179	500	500	500	500	500
Subtotal - Total LAX Debt Service	$ 61,991	$ 70,303	$ 78,809	$ 90,035	$ 93,345	$ 91,066
Other Airports (d)	-	-	-	-	-	-
Aggregate Annual Subordinate Debt Service	**$ 61,991**	**$ 70,303**	**$ 78,809**	**$ 90,035**	**$ 93,345**	**$ 91,066**
TOTAL DEBT SERVICE - SENIOR AND SUBORDINATE	**$ 155,306**	**$ 229,038**	**$ 246,942**	**$ 269,552**	**$ 340,252**	**$ 346,787**

Note: Annual Debt Service figures shown are net of amounts paid with capitalized interest.
(a) The actual amount of PFC Revenues that the Department will use to pay debt service may vary from year to year. PFC Revenues reflected in this table are based on the assumption that amounts used to pay debt service increase as new terminal facilities open, and to manage airline payments.
(b) For purposes of meeting the Senior Rate Covenant, Senior Aggregate Annual Debt Service is net of PFC Revenues used to pay Senior Debt Service.
(c) All PFC s are applied to Terminal cost center debt service.
(d) Refers to debt service associated with the refunding of the 1995D projects which funded the relocation of a taxiway at VNY.
(e) Commercial paper outstanding of as July 1, 2015 was approximately $50 million. The Department is authorized to have $500 million of commercial paper outstanding.
Source: Department of Airports for existing debt service, and Public Resources Advisory Group for future debt service.

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Exhibit C

LAX MAINTENANCE AND OPERATION (M&O) EXPENSES

Los Angeles International Airport

(for Fiscal Years ending June 30; dollars in thousands)

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, Department management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast, and the variations could be material.

	Historical		Estimated	Budget	Forecast				
	2013	2014	2015	2016	2017	2018	2019	2020	2021
BY TYPE OF M&O (a)									
Salaries and Benefits	$ 338,004	$ 356,727	$ 374,018	$ 380,021	$ 404,429	$ 428,648	$ 454,319	$ 499,619	$ 539,462
Contractual Services	162,661	161,771	174,745	191,254	200,672	209,404	218,100	235,291	248,801
Administrative Services	1,126	(1,768)	2,890	4,531	4,704	4,863	5,022	5,376	5,646
Materials and Supplies	47,908	45,725	46,102	50,551	53,041	55,349	57,647	62,191	65,762
Utilities	32,472	39,090	38,355	45,070	47,965	50,837	53,882	59,254	63,980
Advertising and Public Relations	3,421	3,915	4,606	2,048	2,127	2,198	2,270	2,430	2,552
Other Operating Expenses	12,354	12,644	13,709	16,983	17,631	18,225	18,821	20,150	21,162
LAX M&O Expenses Before Adjustments	$ 597,946	$ 618,104	$ 654,425	$ 690,459	$ 730,568	$ 769,524	$ 810,060	$ 884,313	$ 947,366
Adjustments (b)	(9,998)	(9,382)	(9,334)	(10,618)	(11,180)	(11,765)	(12,374)	(13,007)	(13,665)
LAX M&O EXPENSES	**$ 587,948**	**$ 608,722**	**$ 645,091**	**$ 679,841**	**$ 719,389**	**$ 757,758**	**$ 797,686**	**$ 871,306**	**$ 933,701**
Annual % change		3.5%	6.0%	5.4%	5.8%	5.3%	5.3%	9.2%	7.2%
Equipment and vehicles	4,323	2,428	6,864	7,110	7,460	7,784	8,108	8,747	9,249
LAX M&O Expenses plus equipment and vehicle expenses	**$ 592,271**	**$ 611,150**	**$ 651,955**	**$ 686,950**	**$ 726,849**	**$ 765,543**	**$ 805,794**	**$ 880,052**	**$ 942,950**
BY COST CENTER									
Terminal				$ 343,622	$ 365,451	$ 385,332	$ 406,105	$ 460,164	$ 502,128
Apron				33,748	35,597	37,532	39,551	41,660	43,862
Airfield				139,347	146,917	154,832	163,077	171,674	180,636
Aviation				54,592	57,474	60,479	63,598	66,838	70,203
Commercial				96,230	100,950	105,809	110,763	115,825	120,990
Exclusions / Other (b)				19,410	20,460	21,558	22,700	23,890	25,130
Total LAX M&O Expenses plus equipment and vehicle expenses				**$ 686,950**	**$ 726,849**	**$ 765,543**	**$ 805,794**	**$ 880,052**	**$ 942,950**

Note: M&O expenses for FY 2016 do not tie exactly to the Department's Adopted Budget for FY 2016 due to certain adjustments that are made for rates and charges purposes.

(a) Pursuant to the Senior Indenture.

(b) Includes administrative costs allocated to other airports that are not defined as LAX M&O Expenses.

Source: Department of Airports for historical, estimated, and budget information; LeighFisher for forecasts.

Exhibit D-1 (Page 1 of 2)

PLEDGED REVENUES

Los Angeles International Airport

(for Fiscal Years ending June 30; dollars in thousands)

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, Department management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast, and the variations could be material.

	Historical		Estimated	Budget (a)	Forecast				
	2013	2014	2015	2016	2017	2018	2019	2020	2021
Airline Revenues									
Building Rentals - Passenger Terminals (b)	$ 207,340	$ 262,874	$ 305,430	$ 376,980	$ 437,940	$ 507,767	$ 547,957	$ 601,984	$ 672,792
Landing and Apron Fees	216,359	222,608	227,518	245,173	264,500	286,096	310,018	322,818	335,766
Total Airline Revenues	**$ 423,699**	**$ 485,482**	**$ 532,948**	**$ 622,153**	**$ 702,440**	**$ 793,863**	**$ 857,975**	**$ 924,802**	**$ 1,008,558**
Annual % change		14.6%	9.8%	16.7%	12.9%	13.0%	8.1%	7.8%	9.1%
Aviation Revenues (c)									
Building Rent (other than passenger terminals)	$ 49,911	$ 52,890	$ 59,866	$ 72,948	$ 74,626	$ 76,417	$ 78,251	$ 80,129	$ 82,052
Land Rentals (d)	81,010	86,534	90,478	88,127	85,366	87,415	89,513	91,661	93,861
Plane Parking	790	858	964	1,010	1,053	1,096	1,139	1,181	1,223
Fuel Fees	240	161	449	160	167	174	181	188	195
Other Aviation Revenue (e)	2,894	2,602	3,150	7,421	7,737	8,056	8,371	8,682	8,988
Total Aviation Revenues	**$ 134,845**	**$ 143,044**	**$ 154,908**	**$ 169,666**	**$ 168,949**	**$ 173,157**	**$ 177,454**	**$ 181,841**	**$ 186,319**
Annual % change	-2.0%	6.1%	8.3%	9.5%	-0.4%	2.5%	2.5%	2.5%	2.5%
Concession Revenues									
Auto Parking	$ 73,932	$ 79,914	$ 85,803	$ 86,448	$ 87,240	$ 89,902	$ 92,458	$ 94,916	$ 97,263
Duty Free	50,409	55,756	63,983	72,577	82,473	87,311	91,523	95,982	100,694
Car Rental	70,516	76,558	78,556	84,362	86,888	91,030	95,183	99,352	103,522
Food & Beverage, Gifts & News, Terminal Commercial Management (TCM)									
Food & Beverage	36,476	36,619	25,598	20,510	24,598	25,683	26,763	28,547	29,644
Gifts & News	21,913	21,353	11,096	11,494	11,353	11,854	12,352	13,175	13,682
TCM	30	9,078	28,674	34,585	37,843	39,512	41,174	43,918	45,605
Sub total (Food & Beverage, Gifts & News, TCM)	58,418	67,050	65,367	66,589	73,793	77,048	80,288	85,640	88,931
Bus, Limo & Taxi	18,019	20,466	22,978	23,711	24,792	25,885	26,974	28,060	29,137
Terminal Advertising	19,875	17,784	22,552	26,000	26,598	27,236	27,890	29,229	30,632
Other Concession Revenue (f)	12,971	13,784	14,842	13,411	13,985	14,567	15,145	15,722	16,295
Total Concession Revenues	**$ 304,139**	**$ 331,311**	**$ 354,082**	**$ 373,098**	**$ 395,770**	**$ 412,979**	**$ 429,461**	**$ 448,901**	**$ 466,474**
Annual % change		8.9%	6.9%	5.4%	6.1%	4.3%	4.0%	4.5%	3.9%

Exhibit D-1 (page 2 of 2)

PLEDGED REVENUES

Los Angeles International Airport

(for Fiscal Years ending June 30; dollars in thousands)

	Historical		Estimated	Budget (a)	Forecast				
	2013	2014	2015	2016	2017	2018	2019	2020	2021
Airport Sales and Services									
Accommodations	$ 98	$ 143	$ 108	$ 114	$ 117	$ 120	$ 123	$ 126	$ 129
Other Sales & Services	687	710	657	631	646	662	678	694	711
Total Airport Sales and Services	**$ 808**	**$ 853**	**$ 765**	**$ 745**	**$ 763**	**$ 782**	**$ 801**	**$ 820**	**$ 840**
Annual % change		5.5%	-10.3%	-2.6%	2.4%	2.5%	2.4%	2.4%	2.4%
Miscellaneous Revenues	$ 1,982	$ 1,040	$ 3,097	$ 1,326	$ 1,356	$ 1,389	$ 1,422	$ 1,456	$ 1,491
Total Operating Revenue	**$ 865,474**	**$ 961,729**	**$ 1,045,800**	**$ 1,166,988**	**$ 1,269,277**	**$ 1,382,170**	**$ 1,467,113**	**$ 1,557,819**	**$ 1,663,682**
		11.1%	8.7%	11.6%	8.8%	8.9%	6.1%	6.2%	6.8%
Other Items									
Interest Earnings	$ 1,400	$ 10,189	$ 9,700	$ 21,765	$ 25,753	$ 30,509	$ 35,910	$ 39,083	$ 41,365
Non-operating TSA Revenue (g)	1,253	5,012	2,896	-	-	-	-	-	-
BABs subsidy (Series 2009C) (h)	6,564	6,368	6,361	6,396	6,712	6,556	6,386	6,210	6,024
BABs subsidy (Series 2010C) (h)	1,402	1,360	1,358	1,366	1,465	1,465	1,465	1,465	1,465
Total Other Items	**$ 10,619**	**$ 22,929**	**$ 20,315**	**$ 29,526**	**$ 33,930**	**$ 38,531**	**$ 43,761**	**$ 46,758**	**$ 48,854**
Annual % change		115.9%	-11.4%	45.3%	14.9%	13.6%	13.6%	6.8%	4.5%
TOTAL PLEDGED REVENUES	**$ 876,092**	**$ 984,658**	**$ 1,066,115**	**$ 1,196,514**	**$ 1,303,207**	**$ 1,420,700**	**$ 1,510,874**	**$ 1,604,577**	**$ 1,712,536**
Annual % change		12.4%	8.3%	12.2%	8.9%	9.0%	6.3%	6.2%	6.7%

(a) Budgeted FY 2016 nonairline revenues serve as the base for nonairline revenue forecasts.

(b) Net of Tier-Two Revenue Sharing as applicable per the Rate Agreement.

(c) Other than airline terminal rentals, landing fees, and apron fees.

(d) Includes revenues associated with the Park One Property.

(e) Includes TSA revenue and other miscellaneous aviation fees.

(f) Includes, among other items, foreign exchange, telecommunications, luggage carts and ATM revenue.

(g) From FY 2016 onwards non-operating TSA revenue is reflected as an adjustment to maintenance and operations expenses.

(h) A federal subsidy related to the issuance of Build America Bonds (BABs) in 2009 and 2010 is treated as a Pledged Revenue item.

Source: Department of Airports for historical, estimated, and budget information; LeighFisher for forecasts.

Exhibit D-2

PASSENGER FACILITY CHARGES

Los Angeles International Airport

(for Fiscal Years ending June 30; dollars in thousands except PFC Level)

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, Department management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast, and the variations could be material.

	Estimated	Forecast				
	2016	2017	2018	2019	2020	2021
PFC Collections						
Enplaned passengers	37,025	37,843	38,586	39,266	39,889	40,451
PFC level per eligible enplanement	$4.50	$4.50	$4.50	$4.50	$4.50	$4.50
Less: airline collection fee	(0.11)	(0.11)	(0.11)	(0.11)	(0.11)	(0.11)
Net Passenger Facility Charge	$4.39	$4.39	$4.39	$4.39	$4.39	$4.39
Percent of passengers paying a PFC	85%	85%	85%	85%	85%	85%
Enplaned passengers paying a PFC	31,472	32,166	32,798	33,376	33,906	34,383
PFC collections from the airlines	$ 138,161	$ 141,210	$ 143,983	$ 146,522	$ 148,847	$ 150,942
Application of PFC Revenues						
Beginning PFC cash balance	$ 513,780	$ 461,742	$ 441,839	$ 396,689	$ 364,895	$ 355,462
PFC collections	$ 138,161	$ 141,210	$ 143,983	$ 146,522	$ 148,847	$ 150,942
PFC interest income	9,755	9,036	8,385	7,616	7,204	7,121
PFC Revenues	$ 147,916	$ 150,246	$ 152,368	$ 154,138	$ 156,051	$ 158,063
PFCs expected to be used to pay debt service						
Series 2008A	$ (34,172)	$ (29,397)	$ (29,445)	$ (23,026)	$ (29,799)	$ (11,040)
Series 2009A	(5,467)	(5,030)	(4,994)	(13,677)	(3,122)	(5,960)
Series 2010A	(46,050)	(45,611)	(48,704)	(43,221)	(42,803)	(33,745)
Series 2010D	(17,472)	(18,683)	(16,261)	(21,106)	(15,050)	(20,685)
Series 2012	(20,792)	(19,264)	(17,628)	(20,534)	(13,455)	(7,983)
Future Bonds	-	-	(42,631)	(47,943)	(55,700)	(77,467)
Total PFC-related debt service	$ (123,954)	$ (117,985)	$ (159,663)	$ (169,507)	$ (159,928)	$ (156,879)
PFC Pay-as-you-go	(76,000)	(52,164)	(37,856)	(16,425)	(5,556)	-
Annual PFC expenditures	**$ (199,954)**	**$ (170,149)**	**$ (197,519)**	**$ (185,931)**	**$ (165,484)**	**$ (156,879)**
Ending PFC Cash balance	**$ 461,742**	**$ 441,839**	**$ 396,689**	**$ 364,895**	**$ 355,462**	**$ 356,646**

Source: LeighFisher for FY 2016 estimate and forecasts.

Exhibit E-1
LANDING AND APRON FEES
Los Angeles International Airport
(for Fiscal Years ending June 30; dollars in thousands except fees)

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, Department management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast, and the variations could be material.

	Budget (a)	Forecast				
	2016	2017	2018	2019	2020	2021
Landing Fee						
Allocated M&O	$ 139,347	$ 146,917	$ 154,832	$ 163,077	$ 171,674	$ 180,636
Amortization Expense	12,213	13,428	16,128	17,318	17,015	16,787
Senior Lien Debt Service	1,985	2,799	2,853	3,669	1,129	1,116
Subordinate Lien Debt Service	48,454	55,392	60,693	63,126	63,580	63,856
Credit for Build America Bonds subsidy (Series 2009C)	(6,396)	(6,712)	(6,556)	(6,386)	(6,210)	(6,024)
Credit for Build America Bonds subsidy (Series 2010C)	(1,366)	(1,465)	(1,465)	(1,465)	(1,465)	(1,465)
Debt Service Coverage (b)	-	-	-	-	-	-
M&O Reserve	1,050	2,070	2,011	2,094	3,838	3,261
Van Nuys Reliever Net Costs	881	881	881	881	881	881
Total Airfield Requirement	**$ 196,170**	**$ 213,309**	**$ 229,377**	**$ 242,314**	**$ 250,442**	**$ 259,049**
Total Landed Weight (000's) (c)	56,865	57,588	58,555	59,420	60,186	60,967
Landing Fee Rate (d)	$ 3.46	$ 3.70	$ 3.92	$ 4.08	$ 4.16	$ 4.25
Apron Fee						
Allocated M&O	$ 33,748	$ 35,597	$ 37,532	$ 39,551	$ 41,660	$ 43,862
Amortization Expense	3,721	4,694	5,083	5,008	5,006	5,049
Senior Lien Debt Service	549	778	793	1,023	307	304
Subordinate Lien Debt Service	8,566	9,621	12,823	21,613	24,471	26,710
Debt Service Coverage (b)	-	-	-	-	-	-
M&O Reserve	254	502	488	508	931	792
Total Apron Requirement	**$ 46,839**	**$ 51,190**	**$ 56,719**	**$ 67,704**	**$ 72,376**	**$ 76,717**
Passenger Landed Weight (000's) (c)	48,769	49,586	50,277	50,893	51,422	51,957
Apron Fee Rate (d)	$ 0.92	$ 1.03	$ 1.13	$ 1.33	$ 1.41	$ 1.48
Combined Rate	**$ 4.38**	**$ 4.74**	**$ 5.05**	**$ 5.41**	**$ 5.57**	**$ 5.73**

(a) With the exception of amortization and debt service in FY 2016, amounts shown in this table reflect the FY 2016 Budget.
(b) Debt service coverage is 0.25x for Senior Lien Debt Service and 0.15x for Subordinate Lien Debt Service. Only debt service coverage above and beyond amortization expenses is included in the Landing Fee and Apron Fee calculation.
(c) Landed weight reflected for FY 2016 is budgeted amount.
(d) The budgeted FY 2016 Landing Fee Rate of $3.46 and the budgeted FY 2016 Apron Fee of $0.92 are reflected for FY 2016. The calculated rates for FY 2016 based on requirements reflected on this page would be approximately $0.01 lower and $0.04 higher respectively, than the budgeted rate as result of adjustments to amortization and debt service since the budget was prepared.
Source: Department of Airports for budget information; LeighFisher for forecasts.

Exhibit E-2
AIRLINE COST PER ENPLANED PASSENGER
Los Angeles International Airport
(for Fiscal Years ending June 30; dollars in thousands except ratios)

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, Department management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast, and the variations could be material.

	Estimated	Forecast				
	2016	2017	2018	2019	2020	2021
Airline Revenues						
Airline Terminal Rentals	$ 376,980	$ 437,940	$ 507,767	$ 558,530	$ 616,301	$ 672,792
Signatory Airline Landing and Apron Fees	243,009	264,500	286,096	310,018	322,818	335,766
Tier Two Revenue Sharing (a)	-	-	-	(10,573)	(14,317)	-
Total	$ 619,989	$ 702,440	$ 793,863	$ 857,975	$ 924,802	$ 1,008,558
Non-Signatory landing fees	-	-	-	-	-	-
Less Landing Fees associated with cargo landed weight (b)	(26,771)	(29,641)	(32,428)	(34,771)	(36,466)	(38,282)
Total Passenger Airline Revenues	$ 593,218	$ 672,799	$ 761,435	$ 823,203	$ 888,336	$ 970,276
Enplaned passengers	37,025	37,843	38,586	39,266	39,889	40,451
Passenger Airline Cost Per Enplaned Passenger	**$ 16.02**	**$ 17.78**	**$ 19.73**	**$ 20.96**	**$ 22.27**	**$ 23.99**

(a) Per the Rate Agreement, 50% of funds in the TRIF, that are not otherwise committed to projects, in excess of the TRIF limits are made available to the airlines as revenue sharing.

(b) Includes landing fees associated with all cargo carriers, cargo landed weight of passenger airline carriers.

Source: Department of Airports for FY 2016 financial data; LeighFisher for forecasts.

Exhibit F
APPLICATION OF PLEDGED REVENUES
Los Angeles International Airport
(for Fiscal Years ending June 30; dollars in thousands)

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, Department management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast, and the variations could be material.

	Budget	Forecast				
	2016	2017	2018	2019	2020	2021
Pledged Revenues						
Airline						
Landing and Apron Fees	$ 245,173	$ 264,500	$ 286,096	$ 310,018	$ 322,818	$ 335,766
Terminal Rentals	376,980	437,940	507,767	558,530	616,301	672,792
Tier-Two Revenue Sharing	-	-	-	(10,573)	(14,317)	-
Other						
Aviation Related	169,666	168,949	173,157	177,454	181,841	186,319
Concessions	373,098	395,770	412,979	429,461	448,901	466,474
Airport Sales and Services	745	763	782	801	820	840
Miscellaneous Revenues	1,326	1,356	1,389	1,422	1,456	1,491
Other Items	29,526	33,930	38,531	43,761	46,758	48,854
Total Pledged Revenues	**$ 1,196,514**	**$ 1,303,207**	**$ 1,420,700**	**$ 1,510,874**	**$ 1,604,577**	**$ 1,712,536**
Application of Pledged Revenues						
LAX Maintenance and Operation Expenses	$ 679,841	$ 719,389	$ 757,758	$ 797,686	$ 871,306	$ 933,701
Senior Debt Service (a)	93,315	158,734	168,132	179,516	246,907	255,721
Senior Reserve Fund Deposits	-	-	-	-	-	-
Subordinate Obligations Debt Service	61,991	70,303	78,809	90,035	93,345	91,066
Third Lien Obligations	-	-	-	-	-	-
LAX Maintenance and Operation Reserve Deposits	5,032	9,911	9,626	10,017	18,348	15,580
Total	$ 840,178	$ 958,337	$ 1,014,326	$ 1,077,255	$ 1,229,905	$ 1,296,068
Available for Other Purposes	**$ 356,336**	**$ 344,870**	**$ 406,375**	**$ 433,619**	**$ 374,672**	**$ 416,467**

(a) Net of debt service paid with PFCs.
Source: Department of Airports for budget information; LeighFisher for forecasts.

Exhibit G
RATE COVENANT COMPLIANCE FORECAST
Los Angeles International Airport
(for Fiscal Years ending June 30; dollars in thousands except ratios)

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, Department management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast, and the variations could be material.

	Budget	Forecast				
	2016	2017	2018	2019	2020	2021
Net Pledged Revenues						
Revenues	$ 1,196,514	$ 1,303,207	$ 1,420,700	$ 1,510,874	$ 1,604,577	$ 1,712,536
LAX Maintenance and Operations Expenses	679,841	719,389	757,758	797,686	871,306	933,701
Net Pledged Revenues	$ 516,673	$ 583,818	$ 662,942	$ 713,187	$ 733,271	$ 778,835
Senior Debt Service Coverage						
Senior Debt Service	$ 217,269	$ 276,719	$ 327,795	$ 349,023	$ 406,835	$ 412,600
Less Debt Service Paid with PFC Revenues	(123,954)	(117,985)	(159,663)	(169,507)	(159,928)	(156,879)
Senior Aggregate Debt Service Requirements (a)	$ 93,315	$ 158,734	$ 168,132	$ 179,516	$ 246,907	$ 255,721
Senior Debt Coverage	**5.54**	**3.68**	**3.94**	**3.97**	**2.97**	**3.05**
Coverage Requirement	1.25	1.25	1.25	1.25	1.25	1.25
Subordinate Debt Service Coverage						
Amounts Available for Subordinate Debt Service	$ 423,359	$ 425,084	$ 494,810	$ 533,671	$ 486,364	$ 523,114
Subordinate Debt Service	61,991	70,303	78,809	90,035	93,345	91,066
Less Pledged PFC Revenues	-	-	-	-	-	-
Subordinate Aggregate Debt Service Requirements	$ 61,991	$ 70,303	$ 78,809	$ 90,035	$ 93,345	$ 91,066
Subordinate Debt Coverage	**6.83**	**6.05**	**6.28**	**5.93**	**5.21**	**5.74**
Coverage Requirement	1.15	1.15	1.15	1.15	1.15	1.15
Combined Debt Service Coverage (Senior and Subordinate Debt) (b)	**3.33**	**2.55**	**2.68**	**2.65**	**2.16**	**2.25**

(a) Senior Aggregate Annual Debt Service is net of PFC Revenues used to pay Senior Debt Service.
(b) No Transfers were assumed for purposes of calculating debt service coverage ratios.
Source: Department of Airports for budget information; LeighFisher for forecasts.

Exhibit H

SUMMARY OF FINANCIAL FORECASTS - BASE CASE

Los Angeles International Airport

(for Fiscal Years ending June 30; amounts in thousands except for debt service coverage and cost per enplaned passenger data)

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, Department management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast, and the variations could be material.

	Estimated	Forecast				
	2016	2017	2018	2019	2020	2021
ENPLANED PASSENGERS	37,025	37,843	38,586	39,266	39,889	40,451
Percentage Change		2.2%	2.0%	1.8%	1.6%	1.4%
DEBT SERVICE COVERAGE						
Pledged Revenues	$ 1,196,514	$ 1,303,207	$ 1,420,700	$ 1,510,874	$ 1,604,577	$ 1,712,536
LAX Maintenance and Operation Expenses	679,841	719,389	757,758	797,686	871,306	933,701
Net Pledged Revenues	$ 516,673	$ 583,818	$ 662,942	$ 713,187	$ 733,271	$ 778,835
Senior Debt Service (a)	$ 93,315	$ 158,734	$ 168,132	$ 179,516	$ 246,907	$ 255,721
Debt Service Coverage	5.54	3.68	3.94	3.97	2.97	3.05
Amounts Available for Subordinate Debt Service	$ 423,359	$ 425,084	$ 494,810	$ 533,671	$ 486,364	$ 523,114
Subordinate Debt Service	61,991	70,303	78,809	90,035	93,345	91,066
Subordinate Debt Service Coverage	6.83	6.05	6.28	5.93	5.21	5.74
Combined Debt Service Coverage (Senior and Subordinate)	3.33	2.55	2.68	2.65	2.16	2.25
AIRLINE COST PER ENPLANED PASSENGER						
Airline Cost Per Enplaned Passenger	$16.02	$17.78	$19.73	$20.96	$22.27	$23.99
NON AIRLINE REVENUES						
Aviation Revenues (b)	$ 169,666	$ 168,949	$ 173,157	$ 177,454	$ 181,841	$ 186,319
Concessions	373,098	395,770	412,979	429,461	448,901	466,474
Airport Sales and Services	745	763	782	801	820	840
Miscellaneous Revenues	29,526	33,930	38,531	43,761	46,758	48,854
Total	$ 573,035	$ 599,411	$ 625,449	$ 651,477	$ 678,319	$ 702,487
Percentage Change		4.6%	4.3%	4.2%	4.1%	3.6%

(a) Net of PFCs applied to debt service.

(b) Other than airline terminal rentals, landing Fees, and apron fees.

Source: Department of Airports for FY 2016 financial data; LeighFisher for forecasts.

Exhibit I

SUMMARY OF FINANCIAL PROJECTIONS - SENSITIVITY SCENARIO

Los Angeles International Airport

(for Fiscal Years ending June 30; amounts in thousands except for debt service coverage and cost per enplaned passenger data)

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, Department management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the projections will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those projected and the variations could be material.

	Estimated	Projection				
	2016	2017	2018	2019	2020	2021
ENPLANED PASSENGERS	37,025	30,777	30,319	31,836	33,458	33,592
Percentage Change		-16.9%	-1.5%	5.0%	5.1%	0.4%
DEBT SERVICE COVERAGE						
Pledged Revenues	$ 1,196,514	$ 1,225,300	$ 1,330,473	$ 1,441,303	$ 1,541,568	$ 1,626,774
LAX Maintenance and Operation Expenses	679,841	719,389	757,758	797,686	871,306	933,701
Net Pledged Revenues	$ 516,673	$ 505,911	$ 572,715	$ 643,616	$ 670,263	$ 693,073
Senior Debt Service (a)	$ 93,315	$ 158,734	$ 168,132	$ 179,516	$ 246,907	$ 255,721
Debt Service Coverage	5.54	3.19	3.41	3.59	2.71	2.71
Amounts Available for Subordinate Debt Service	$ 423,359	$ 347,177	$ 404,582	$ 464,100	$ 423,356	$ 437,352
Subordinate Debt Service	61,991	70,303	78,809	90,035	93,345	91,066
Subordinate Debt Service Coverage	6.83	4.94	5.13	5.15	4.54	4.80
Combined Debt Service Coverage (Senior and Subordinate)	3.33	2.21	2.32	2.39	1.97	2.00
AIRLINE COST PER ENPLANED PASSENGER						
Airline Cost Per Enplaned Passenger	$16.02	$21.87	$25.34	$26.66	$27.39	$29.10
NON AIRLINE REVENUES						
Aviation Revenues (b)	$ 169,666	$ 167,902	$ 171,850	$ 176,385	$ 181,060	$ 185,444
Concessions	373,098	319,871	320,904	341,445	366,128	374,602
Airport Sales and Services	745	763	782	801	820	840
Miscellaneous Revenues	29,526	32,968	35,740	39,462	41,251	41,484
Total	$ 573,035	$ 521,504	$ 529,276	$ 558,094	$ 589,259	$ 602,370
Percentage Change		-9.0%	1.5%	5.4%	5.6%	2.2%

(a) Net of PFCs applied to debt service.

(b) Other than airline terminal rentals, landing Fees, and apron fees.

Source: Department of Airports for FY 2016 financial data; LeighFisher for projections.

APPENDIX B

ANNUAL FINANCIAL REPORT OF
LOS ANGELES WORLD AIRPORTS
(DEPARTMENT OF AIRPORTS OF
THE CITY OF LOS ANGELES, CALIFORNIA)
LOS ANGELES INTERNATIONAL AIRPORT
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014

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Los Angeles
International Airport

Annual Financial Report

FISCAL YEARS ENDED JUNE 30, 2015 AND 2014

Department of Airports Los Angeles, California

Los Angeles World Airports

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

Los Angeles International Airport

Annual Financial Report

Fiscal years ended June 30, 2015 and 2014

Prepared by Financial Reporting Division

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District 2

Bob Blumenfield
District 3

David E. Ryu
District 4

Paul Koretz
District 5

Felipe Fuentes
District 7

Marqueece Harris-Dawson
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

Deborah Flint
Executive Director

Stephen Martin
Chief Operating Officer

Debbie Bowers
Deputy Executive Director
Commercial Development

Cynthia Guidry
Deputy Executive Director
Capital Programming,
Planning & Engineering

Roger Johnson
Deputy Executive Director
Airports Development

Samson Mengistu
Deputy Executive Director
Administration

Dominic Nessi
Deputy Executive Director
Information Management
& Technology

Patrick Gannon
Deputy Executive Director
Law Enforcement &
Homeland Security
Chief, Airports Police

Wei Chi
Deputy Executive Director
Comptroller

David Shuter
Deputy Executive Director
Facilities Maintenance
& Utilities

Jacqueline Yaft
Deputy Executive Director
Operations, Maintenance
& Emergency Management

Ryan Yakubik
Chief Financial Officer

Raymond Ilgunas
General Counsel

Silveria Silva
Accounting Operations

Jess Romo
Airport Manager, ONT/VNY

Barry Rondinella
Airport Operations

Janet Hackney
Airports Development
Contracts & Budget

Shirlene Sue
Airport Permit Services

Sandy Miller
Board Office

Maria Tesoro-Fermin
Community Relations

Robert Loya
Construction Inspection

Edward Bushman
Emergency Management

Lisa Trifiletti
Environmental Services

Nerida Esguerra
Finance & Budget

Valerie Hunter
Financial Management
Systems

Rosalyn Wong
Financial Reporting

Mark Adams
Government Affairs

Barbara Yamamoto
Guest Services

Paula Adams
Human Resources

Tony Chen
Information Management &
Technology Architecture

Micaela LeBlanc
Information Management &
Technology Business
Application Support

Aura Moore
Information Management &
Technology Business Systems

Nathan Look
Information Management &
Technology Infrastructure

Mary Albers
Information Management &
Technology Planning

Anson Fong
Information Management &
Technology Security (Interim)

Amanda Dyson
Internal Audit

Marisa Katnich
Landside Business Management

Ramon Oliveres
Leasing & Development

Ralph Morones
Maintenance Services

Karen Tozer
Procurement Services

Mary Grady
Public & Media Relations

Bruce Brown
Risk Management

David Jones
Terminals Business
Management

Jeffrey Smith
Utilities & Infrastructure

Message from the Executive Director

I am pleased to present the Annual Financial Report of the Los Angeles International Airport (LAX) for the fiscal year ended June 30, 2015.

Macias Gini & O'Connell LLP, Certified Public Accountants (MGO), audited LAX's financial statements. Based upon its audit, MGO rendered an unmodified opinion that LAX's financial statements, as of and for the fiscal years ended June 30, 2015 and 2014, were fairly presented in conformity with accounting principles generally accepted in the United States of America (GAAP). MGO's report is on pages 1 and 2.

MGO conducted an additional audit to determine LAX's compliance with the requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* and concluded that LAX 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, 2015. MGO's report is on pages 81 and 82.

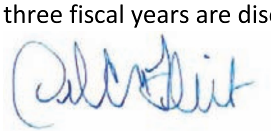
MGO also conducted a third audit to determine LAX's compliance with the requirements described in the *California Civil Code Section 1936, as amended by Senate Bill 1192 and Assembly Bill 359*, and concluded that LAX complied in all material respects with the requirements that could have a material effect on its customer facility charge program for the fiscal year ended June 30, 2015. MGO's report is on pages 87 and 88.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of Management's Discussion and Analysis (MD&A). The MD&A is on pages 3 through 26.

The financial condition of LAX depends primarily upon the demand for air transportation within the geographical area (the Air Trade Area) served by LAX and management decisions regarding operations and capital investment as they relate to market demand for travel. The Air Trade Area comprises the following five counties: Los Angeles, Orange, Riverside, San Bernardino, and Ventura. Passenger and cargo traffic at LAX depends on the demographic characteristics and economic activity of the Air Trade Area. LAX is part of a system of Southern California airports – along with LA/Ontario International Airport, Van Nuys Airport and property retained for future aeronautical uses in the City of Palmdale – that are owned and operated by Los Angeles World Airports.

LAX is the fifth busiest airport in the world and second in the United States. The airport offers 692 daily nonstop flights to 85 cities in the U.S. and 928 weekly nonstop flights to 67 cities in 34 countries on 59 commercial air carriers. LAX ranks 14th in the world and fifth in the U.S. in air cargo tonnage processed, with over two million tons of air cargo valued at nearly $96.3 billion. An economic study in 2011 reported that operations at LAX generated 294,400 jobs in Los Angeles County with labor income of $13.6 billion and economic output of more than $39.7 billion. This activity added $2.5 billion to local and state revenues.

Passenger traffic in LAX has shown encouraging growth of 4.8% and reached 72.1 million passengers in fiscal year 2015 as compared to the prior fiscal year. Passenger and other traffic activity highlights during the last three fiscal years are discussed in the MD&A.



Deborah Flint
Executive Director

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

Annual Financial Report
Fiscal Years Ended June 30, 2015 and 2014

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2015 ANNUAL FINANCIAL REPORT

Financial Section

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- MANAGEMENT’S DISCUSSION AND ANALYSIS
- FINANCIAL STATEMENTS

Certified
Public
Accountants

Sacramento
Walnut Creek
Oakland
Los Angeles
Century City
Newport Beach
San Diego

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 International Airport (LAX), a department component 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 (City), as of and for the fiscal years ended June 30, 2015 and 2014, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LAX as of June 30, 2015 and 2014, and the changes in its financial position and its cash flows for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Basis of Presentation

As discussed in Note 1, the financial statements of LAX 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 LAX. They do not purport to, and do not, present fairly the financial position of LAWA or the City as of June 30, 2015 and 2014, the changes in their financial position, or, where applicable, their cash flows for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Change in Accounting Principles

As described in Notes 1 and 2, effective July 1, 2014, LAX adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27,* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68.* The implementation of these statements resulted in a restatement of net position as of July 1, 2014, in the amount of $567.9 million. The net position as of July 1, 2013 was not restated because all of the information available to restate prior year amounts was not readily available. Our opinion is not modified with respect to this matter.

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 26, the schedule of LAX's proportionate share of the net pension liability on page 77, and the schedule of contributions – pension on pages 78 to 80 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 LAX. The accompanying compliance section listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements.

The accompanying Schedule of Passenger Facility Charge Revenues and Expenditures and accompanying notes on pages 83 to 86; and Schedule of Customer Facility Charge Revenues and Expenditures and accompanying notes on pages 89 to 90 (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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2015, on our consideration of LAWA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LAWA's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

Los Angeles, California
November 5, 2015

2015 ANNUAL FINANCIAL REPORT

Management's Discussion and Analysis

Management's Discussion and Analysis

Management's Discussion and Analysis (Unaudited)
June 30, 2015 and 2014

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). 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 LAX's financial activities for the fiscal years ended June 30, 2015 and 2014. This discussion and analysis should be read in conjunction with LAX's financial statements that begin on page 27.

Using This Financial Report

LAX'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 LAX's assets, deferred outflows of resources, liabilities, and deferred inflows of resources at June 30, 2015 and 2014. The difference between (a) assets and deferred outflows of resources, and (b) liabilities and deferred inflows of resources was reported as net position. Over time, increases and decreases in net position may serve as a useful indicator about whether LAX's financial condition is improving or deteriorating.

The *Statements of Revenues, Expenses and Changes in Net Position* present the results of LAX's operations and information showing the changes in net position for the fiscal years ended June 30, 2015 and 2014. These statements can be useful indicators of how LAX 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 LAX'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 LAX's financial activities.

Passenger and Other Traffic Activity Highlights

The following table presents a summary of passenger and other traffic for the last three fiscal years:

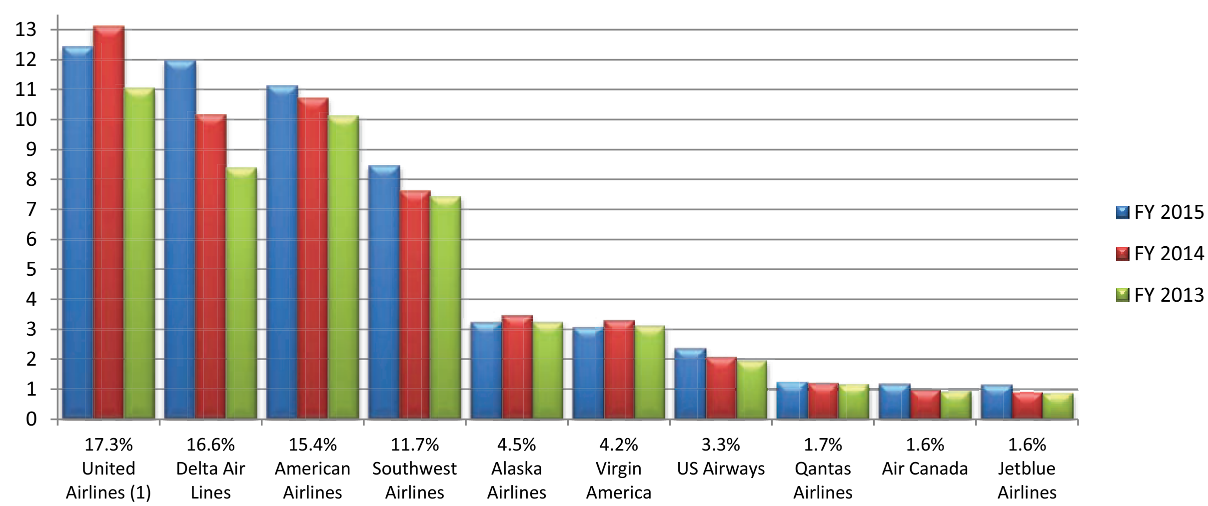
				% Change	
	FY 2015	FY 2014	FY 2013	FY 2015	FY 2014
Total passengers	72,062,730	68,786,455	64,969,102	4.8%	5.9%
Domestic passengers	52,478,111	50,162,524	47,641,025	4.6%	5.3%
International passengers	19,584,619	18,623,931	17,328,077	5.2%	7.5%
Departing passengers	36,114,325	34,333,784	32,524,178	5.2%	5.6%
Arriving passengers	35,948,405	34,452,671	32,444,924	4.3%	6.2%
Passenger flight operations					
Departures	291,107	286,725	273,193	1.5%	5.0%
Arrivals	290,920	286,627	273,297	1.5%	4.9%
Landing weight					
(thousand lbs)	54,990,272	52,572,657	50,206,827	4.6%	4.7%
Air cargo (tons)					
Mail	87,791	76,784	81,953	14.3%	-6.3%
Freight	2,016,438	1,852,760	1,863,891	8.8%	-0.6%

Note: Prior years' data may change because of the updated available information, however, in order to remain comparable and consistent with the published data, the passenger and other traffic numbers for prior fiscal years are not changed.

Passenger Traffic

The following chart presents the top ten airlines, by number of passengers, for fiscal year 2015 and the comparative passengers for fiscal years 2014 and 2013.

FY 2015 Top Ten Carriers and Percentage of Market Share (passengers in millions)



(1) Skywest activity was added into United Airlines effective FY2013 and Continental Airlines merged into United Airlines in early 2014.

Passenger Traffic, Fiscal Year 2015

Passenger traffic at LAX increased by 4.8% in fiscal year 2015 as compared to fiscal year 2014. Of the 72.1 million passengers that moved in and out of LAX, domestic passengers accounted for 72.8%, while international passengers accounted for 27.2%. United Airlines ferried the largest number of passengers at 12.4 million with a 5.2% decrease in passenger traffic. Delta Air Lines, ranked second with 12.0 million passengers posted a 17.8% increase in passenger traffic. American Airlines, ranked third with 11.1 million passengers posted a 3.8% increase in passenger traffic. Southwest Airlines (8.5 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 eighth overall.

Passenger Traffic, Fiscal Year 2014

Passenger traffic at LAX increased by 5.9% in fiscal year 2014 as compared to fiscal year 2013. Of the 68.8 million passengers that moved in and out of LAX, domestic passengers accounted for 72.9%, while international passengers accounted for 27.1%. United Airlines ferried the largest number of passengers at 13.1 million with an increase of 18.7% from the prior fiscal year after merging with Continental Airlines in early 2014. American Airlines, ranked second with 10.7 million passengers posted a 5.9% increase in passenger traffic. Delta Air Lines, ranked third with 10.2 million passengers posted a 21.2% increase in passenger traffic. Southwest Airlines (7.6 million) and Alaska Airlines (3.5 million) complete the top five air carriers operating at LAX. Qantas Airlines was the top foreign flag carrier with 1.2 million passengers and was ranked ninth overall.

Flight Operations, Fiscal Year 2015

Departures and arrivals at LAX had an increase of 8,675 flights or 1.5% during fiscal year 2015 when compared to fiscal year 2014. Scheduled[1] and charter were up 85,315 flights, while commuter flights were down 76,640. Revenue landing pounds were up 4.6%. The top three carriers in terms of landing pounds were Delta Air Lines, United Airlines, and American Airlines. In total, these three airlines contributed 40.2% of the total revenue pounds at LAX.

Flight Operations, Fiscal Year 2014

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

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[1] *The increase in scheduled and charter flights by 85,315 and the decrease in commuter flights by 76,640 in fiscal year 2015 was due to the grouping of the Skywest activity into United Airlines effective FY2015. Skywest is considered as a commuter airline while United Airlines is considered as a scheduled carrier. Prior year data is not restated as information is not available.*

Air Cargo Operations, Fiscal Year 2015

Mail and freight cargo at LAX increased by 9.1% in fiscal year 2015 as compared to fiscal year 2014. Freight and mail were up by 11,007 tons and 163,678 tons, respectively. Domestic cargo was up by 32,670 tons or 4.1% and international cargo was up by 142,015 tons or 12.6%. Federal Express was the top air freight carrier accounting for 17.6% of total freight cargo, followed by Korean Airlines with 4.9%. United Airlines was the top mail carrier accounting for 31.8% of total mail cargo.

Air Cargo Operations, Fiscal Year 2014

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

Overview of LAX's Financial Statements

Financial Highlights, Fiscal Year 2015

- Assets exceeded liabilities at June 30, 2015 by $4.1 billion.
- Bonded debt had a net increase of $316.5 million.
- Operating revenue totaled $1,045.8 million.
- Operating expenses (including depreciation and amortization of $178.0 million) totaled $823.4 million.
- Net non-operating revenue was $17.6 million.
- Federal and other grants totaled $31.0 million.
- LAX's proportionate share of net pension liability (NPL) for the retirement benefits, based on the ratio of LAX's contributions to the City's retirement plan's total contributions, was $566.6 million as of measurement date June 30, 2014, and reporting date June 30, 2015. NPL, the difference between the total pension liability (TPL) and the retirement plan's net position, is an important measure required by Governmental Accounting Standards Board (GASB) Statements No. 68[2] and 71[3], to disclose in the financial statements. (See Note 13 of the notes to the financial statements.) The data for prior year, fiscal year 2014, was not restated because all of the information available to restate prior year amounts was not readily available.
- Net position decreased by $291.6 million (including restatement of net position of $(567.9) million as a result of the implementation of GASB Statements No. 68 and 71).

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[2] *GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27, issued in June 2012*

[3] *GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68, issued in November 2013*

Financial Highlights, Fiscal Year 2014

- Assets exceeded liabilities at June 30, 2014 by $4.3 billion.
- Bonded debt had a net increase of $194.1 million.
- Operating revenue totaled $961.7 million.
- Operating expenses (including depreciation and amortization of $141.8 million) totaled $751.8 million.
- Net non-operating revenue was $59.2 million.
- Federal and other grants totaled $24.7 million.
- Net position increased by $300.1 million.

Net Position Summary

A condensed net position summary for fiscal years 2015, 2014, and 2013 is presented below:

Condensed Net Position
(amounts in thousands)

	FY 2015	FY 2014	FY 2013	FY 2015 increase (decrease)	FY 2014 increase (decrease)
Assets					
Unrestricted current assets	$ 777,512	$ 752,234	$ 724,570	$ 25,278	$ 27,664
Restricted current assets	1,590,602	1,673,096	1,631,710	(82,494)	41,386
Capital assets, net	6,991,500	6,453,252	5,888,002	538,248	565,250
Other noncurrent assets	8,550	11,235	13,841	(2,685)	(2,606)
Total assets	9,368,164	8,889,817	8,258,123	478,347	631,694
Deferred outflows of resources					
Deferred charges on debt refunding	25,307	676	730	24,631	(54)
Changes of assumptions related to pension	82,071	--	--	82,071	--
Contribution after measurement date related to pension	49,043	--	--	49,043	--
Total deferred outflows of resources	156,421	676	730	155,745	(54)
Liabilities					
Current liabilities payable from unrestricted assets	304,022	402,672	259,121	(98,650)	143,551
Current liabilities payable from restricted assets	126,729	112,117	97,108	14,612	15,009
Noncurrent liabilities	4,335,666	4,030,675	3,857,701	304,991	172,974
Net pension liability	566,613	--	--	566,613	--
Total liabilities	5,333,030	4,545,464	4,213,930	787,566	331,534
Deferred inflows of resources					
Differences between expected and actual experience related to pension	16,914	--	--	16,914	--
Differences between projected and actual investment earnings related to pension	103,501	--	--	103,501	--
Changes in proportion and differences between employer contributions and proportionate share of contributions related to pension	17,723	--	--	17,723	--
Total deferred inflows of resources	138,138	--	--	138,138	--
Net Position					
Net investment in capital assets	2,952,716	2,667,815	2,261,306	284,901	406,509
Restricted for debt service	341,697	325,490	307,374	16,207	18,116
Restricted for capital projects	742,742	893,390	889,723	(150,648)	3,667
Restricted for operations and maintenance reserve	174,228	164,284	157,210	9,944	7,074
Restricted for federally forfeited property and protested funds	1,289	1,088	894	201	194
Unrestricted	(159,255)	292,962	428,416	(452,217)	(135,454)
Total net position	$ 4,053,417	$ 4,345,029	$ 4,044,923	$ (291,612)	$ 300,106

A condensed net position summary of LAX's net position, on a proforma basis without the financial impact of GASB Statements No.68 and No. 71, for fiscal years 2015, 2014, and 2013 is presented below:

Proforma Condensed Net Position without the Financial Impact of GASB Statements No. 68 and No. 71
(amounts in thousands)

	FY 2015	FY 2014	FY 2013	FY 2015 increase (decrease)	FY 2014 increase (decrease)
Assets					
Unrestricted current assets	$ 777,512	$ 752,234	$ 724,570	$ 25,278	$ 27,664
Restricted current assets	1,590,602	1,673,096	1,631,740	(82,494)	41,356
Capital assets, net	6,991,500	6,453,252	5,888,002	538,248	565,250
Other noncurrent assets	8,550	11,235	13,841	(2,685)	(2,606)
Total assets	9,368,164	8,889,817	8,258,153	478,347	631,664
Deferred outflows of resources					
Deferred charges on debt refunding	25,307	676	730	24,631	(54)
Liabilities					
Current liabilities payable from unrestricted assets	304,022	402,672	259,121	(98,650)	143,551
Current liabilities payable from restricted assets	126,729	112,117	97,108	14,612	15,009
Noncurrent liabilities	4,344,728	4,030,675	3,857,701	314,053	172,974
Total liabilities	4,775,479	4,545,464	4,213,930	230,015	331,534
Net Position					
Net investment in capital assets	2,952,716	2,667,815	2,261,306	284,901	406,509
Restricted for debt service	341,697	325,490	307,374	16,207	18,116
Restricted for capital projects	742,742	893,390	889,723	(150,648)	3,667
Restricted for operations and maintenance reserve	174,228	164,284	157,210	9,944	7,074
Restricted for federally forfeited property and protested funds	1,289	1,088	894	201	194
Unrestricted	405,320	292,962	428,416	112,358	(135,454)
Total net position	$ 4,617,992	$ 4,345,029	$ 4,044,923	$ 272,963	$ 300,106

Net Position, Fiscal Year 2015

As noted earlier, net position may serve as a useful indicator of LAX's financial condition. At the close of fiscal years 2015 and 2014, assets exceeded liabilities by $4.1 billion and $4.3 billion, respectively, representing a 6.7% decrease or $291.6 million. The decrease in net position is a result of LAX's adoption of the provisions of GASB Statements No. 68 and No. 71.

The largest portion of LAX's net position ($3.0 billion or 72.8%) reflects its investment in capital assets (e.g. land, air easements, buildings, improvements, equipment and vehicles) less depreciation and any related outstanding debt used to acquire those assets. An additional portion of LAX's net position ($1.3 billion or 31.1%) represents resources that are subject to various restrictions on how they may be used. The unrestricted net position (-$159.3 million or -3.9%) reflects the recognition of the reduction of net position due to GASB Statements No. 68 and 71 as stated above. As reflected in the Proforma Condensed Net Position, without the adoption of GASB Statements No. 68 and 71, the unrestricted net position would be $405.3 million.

Unrestricted current assets increased by 3.4%, from $752.2 million at June 30, 2014 to $777.5 million at June 30, 2015. Unrestricted current assets consist primarily of cash and pooled investments (including reinvested cash collateral in 2015) held in the City Treasury. Cash outflows were less 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 2015) 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 capital expenditures incurred and for bond principal and interest payments. The year-end investment portfolio held by fiscal agents increased by 9.0% from $599.6 million in fiscal year 2014 to $653.7 million in fiscal year 2015 mainly due to unspent proceeds of newly issued 2015 series bonds as of June 30, 2015.

LAX's capital assets additions are financed through issuance of revenue bonds, grants from federal agencies, PFCs, CFCs, and existing resources. Interim financing of such acquisitions may be provided through the issuance of commercial paper notes. Capital assets, net of depreciation, increased by 8.3%. Ongoing construction and improvements to modernize LAX terminals and facilities were the primary reasons for the increase.

The recognition of the current portion of the receivable from the City General Fund of $2.7 million was the primary reason for the decrease in other noncurrent assets.

Current liabilities payable from unrestricted assets had a net decrease of $98.7 million or 24.5%. This was mainly due to the decrease of $109.7 million, or 34.5% in contracts and accounts payable as a result of the final closeout payment of $83.3 million and $62.0 million for the Bradley West Core project and Bradley West Gates project, respectively, in fiscal year 2014. The decrease was offset by increase in obligations under securities lending transactions and increase in other current liabilities. The increase in other current liabilities was mainly due to the increase in the negative accounts receivable balance of $5.4 million resulting from the unapplied credits issued to the airlines, and increase in LAX's share of the City Treasury's year-end pending investment trade of $1.3 million.

Current liabilities payable from restricted assets had a net increase of $14.6 million or 13.0%. The increase was mainly due to the increase of $9.3 million, or 12.9% in current maturities of bonded debt and the increase of $1.4 million in accrued interest payable, increase of $4.7 million in obligations under securities lending transactions and $1.7 million in LAX's allocated share of the City Treasury's fiscal year-end pending investment trades, in fiscal year 2015, offset by the decrease of $2.5 million, or 56.6% in contracts and accounts payable.

The net increase in noncurrent liabilities was $871.6 million or 21.6%, as a result of additional bond issuances of $497.3 million and the recognition of LAX's proportionate share of net pension liability of $566.6 million during fiscal year 2015.

In addition to the net pension liability, LAX has also recognized the proportionate share of deferred outflows of resources for changes of assumptions related to pension of $82.1 million, deferred outflows of resources for contribution after measurement date related to pension of $49.0 million, deferred inflows of resources for differences between projected and actual investment earnings related to pension of $103.5 million, deferred inflows of resources for changes in proportion and differences between employer contributions and proportionate share of contributions related to pension of $17.7 million, and deferred inflows of resources for differences between expected and actual actuarial experience related to pension of $16.9 million. LAX has also recognized the reversal of the net pension obligation of $9.0 million during fiscal year 2015. As a result, the net financial impact of the implementation of GASB Statements No. 68 and 71 is decrease in the net position by $564.6 million. Implementation of GASB Statements No. 68 and 71 is solely for financial reporting purpose, and it does not represent an immediate funding requirement. Accordingly, without the recognition of the decrease of net position due to GASB Statements No. 68 and 71, LAX's net position, would be $4.6 billion.

Net Position, Fiscal Year 2014

As noted earlier, net position may serve as a useful indicator of LAX's financial position. At the close of fiscal years 2014 and 2013, assets exceeded liabilities by $4.3 billion and $4.0 billion, respectively, representing a 7.4% increase or $300.1 million.

The largest portion of LAX's net position ($2.7 billion or 61.4%) reflects its investment in capital assets (e.g. land, air easements, buildings, improvements, equipment and vehicles) less depreciation and any related outstanding debt used to acquire those assets. An additional portion of LAX's net position ($1.4 billion or 31.9%) represents resources that are subject to various restrictions on how they may be used. The remaining balance of $293.0 million (6.7%) may be used to meet LAX's ongoing obligations.

Unrestricted current assets increased by 3.8%, from $724.6 million at June 30, 2013 to $752.2 million at June 30, 2014. Unrestricted current assets consist primarily of cash and pooled investments (including reinvested cash collateral in 2014) held in the City Treasury. Cash inflows were more than outflows during the fiscal year. Unrestricted cash inflows were from operating activities, investment activities, non-capital grants, and federal grant reimbursements for eligible capital projects. Unrestricted cash outflows were for capital acquisitions and transfers to fiscal agents for debt service.

Restricted current assets include cash and investments (including reinvested cash collateral in 2014) held in the City Treasury for capital projects funded by passenger facility charges (PFCs) and customer facility charges (CFCs). Also included are bond proceeds to be used for capital expenditures as well as bond debt service funds held by fiscal agents. Drawdowns from the amounts held by fiscal agents were used for capital expenditures incurred and for bond principal and interest payments. The year-end investment portfolio held by fiscal agents increased by 6.9% from $560.9 million in fiscal year 2013 to $599.6 million in fiscal year 2014.

LAX's capital assets additions are financed through issuance of revenue bonds, grants from federal agencies, PFCs, CFCs, and existing resources. Interim financing of such acquisitions may be provided through the issuance of commercial paper notes. Capital assets, net of depreciation, increased by 9.6%. Ongoing construction and improvements to modernize LAX terminals and facilities were the primary reasons for the increase.

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

Current liabilities payable from unrestricted assets had a net increase of $143.6 million or 55.4%. This was mainly due to the increase of $168.8 million, or 113.2% in contracts and accounts payable as a result of the final closeout payment of $83.3 million and $62.0 million for the Bradley West Core project and Bradley West Gates project, respectively. The increase was offset by the $15.9 million decrease in commercial paper and $9.5 million in unearned revenue recognized during fiscal year 2014.

Current liabilities payable from restricted assets had a net increase of $15.0 million or 15.5%. The net increment was mostly due to the increase of $19.2 million, or 36.0% in current maturities of bonded debt, offset by the decrease of $2.9 million in obligations under securities lending transactions and $2.9 million in LAX's allocated share of the City Treasury's fiscal year-end pending investment trades, in fiscal year 2014.

The net increase in noncurrent liabilities was $173.0 million or 4.5%, as a result of additional bond issuances during fiscal year 2014.

Changes in Net Position Summary

A condensed summary of LAX's changes in net position for fiscal years ended 2015, 2014, and 2013 is presented below:

Condensed Changes in Net Position
(amounts in thousands)

	FY 2015	FY 2014	FY 2013	FY 2014 increase (decrease)	FY 2013 increase (decrease)
Operating revenue	$ 1,045,800	$ 961,729	$ 865,473	$ 84,071	$ 96,256
Less- Operating expenses	645,398	610,027	589,430	35,371	20,597
Operating income before depreciation and amortization	400,402	351,702	276,043	48,700	75,659
Less- Depreciation and amortization	178,035	141,795	134,500	36,240	7,295
Operating income	222,367	209,907	141,543	12,460	68,364
Other nonoperating revenue, net	17,648	59,196	70,742	(41,548)	(11,546)
Federal and other grants	30,964	24,674	12,264	6,290	12,410
Inter-agency transfers	5,303	6,329	(2,126)	(1,026)	8,455
Changes in net position	276,282	300,106	222,423	(23,824)	77,683
Net position, beg. of year, as previously reported	4,345,029	4,044,923	3,828,380	300,106	216,543
Adjustment of an amount due from ONT	--	--	15,985	--	(15,985)
Change in accounting principle	(567,894)	--	(21,865)	(567,894)	21,865
Net position, beg. of year, as restated	3,777,135	4,044,923	3,822,500	(267,788)	222,423
Net position, end of year	$ 4,053,417	$ 4,345,029	$ 4,044,923	$ (291,612)	$ 300,106

Operating Revenue

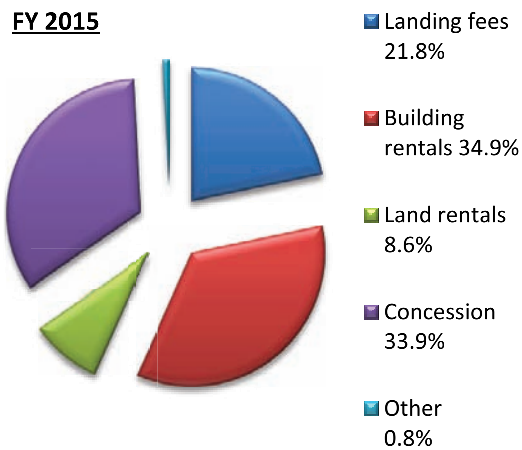
LAX derives its operating revenue from several major airport business activities. The following table presents a summary of these business activities during fiscal years 2015, 2014, and 2013:

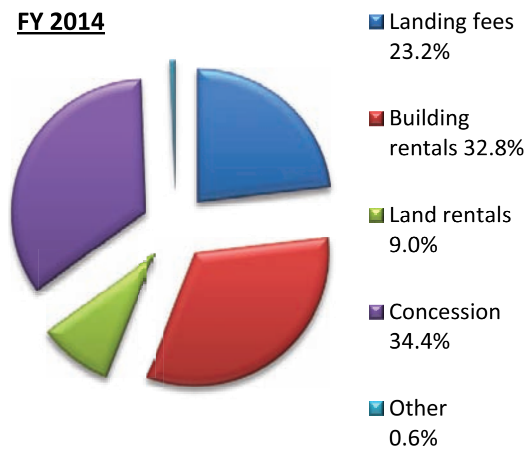
Summary of Operating Revenue
(amounts in thousands)

	FY 2015	FY 2014	FY 2013	FY 2015 increase (decrease)	FY 2014 increase (decrease)
Aviation revenue					
Landing fees	$ 227,518	$ 222,608	$ 216,359	$ 4,910	$ 6,249
Building rentals	365,296	315,764	257,251	49,532	58,513
Land rentals	90,478	86,534	81,010	3,944	5,524
Other aviation revenue	4,564	3,620	3,924	944	(304)
Total aviation revenue	687,856	628,526	558,544	59,330	69,982
Concession revenue	354,082	331,311	304,139	22,771	27,172
Other operating revenue	3,862	1,892	2,790	1,970	(898)
Total operating revenue	$ 1,045,800	$ 961,729	$ 865,473	$ 84,071	$ 96,256

Operating Revenue, Fiscal Year 2015

The following chart illustrates the proportion of sources of operating revenue for fiscal years ended June 30, 2015 and 2014. Other aviation and other operating revenue were added and labeled "other."





For the fiscal year ended June 30, 2015, total operating revenue was $1,045.8 million, a $84.1 million or 8.7% increase from the prior fiscal year. The growth in aviation related revenue was $59.3 million. Non-aviation revenue had a net increase of $24.8 million mostly from concessions.

As described in the notes to the financial statements (see page 38), landing fees assessed to air carriers at LAX are based on a cost recovery methodology. Rates are set using budgeted expenses and estimates of landed weight. The fees are reconciled at the end of the fiscal year using actual expenses and actual landed weight, with differences credited or billed to the airlines accordingly. Terminal rental rates at LAX are calculated using a compensatory methodology. Rates are set based on operating and capital costs allocated to the terminal area and charged to users by leased space or activity in common-use areas.

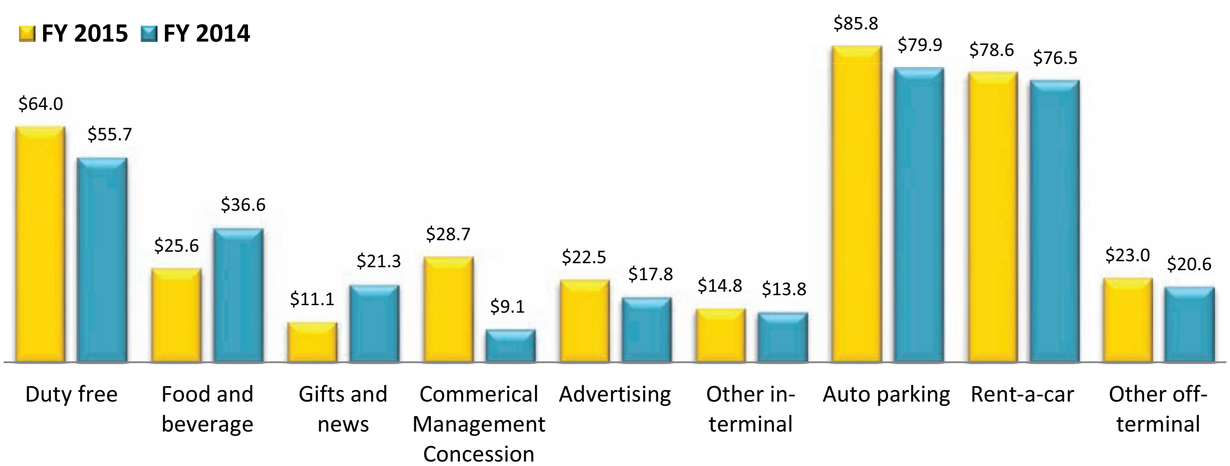
Landing fees for the fiscal year ended June 30, 2015 were up from $222.6 million to $227.5 million, or 2.2%. Total building rental revenue posted a growth of $49.5 million, or 15.7%. The increase was primarily attributable to the improvements and refurbishments in the terminals, increased cost recovery with the implementation of the terminal agreement, as well as the new and renegotiated leases signed with the airlines and other tenants. Land rental revenue increased by $3.9 million mainly due to the increase in leased areas.

Total revenue from concessions was $354.1 million in fiscal year 2015, a 6.9% growth from $331.3 million in fiscal year 2014. In-terminal concession revenue are rentals collected from commercial management concessionaries, food and beverage concessionaires; duty free and retail merchants (gifts, news, and novelty items); and concessionaires for advertising, foreign exchange booths, telecommunications, automated teller machines, and luggage cart rental. Off-terminal concession revenue is derived from auto parking, rent-a-car, bus, limousine, taxi services and other commercial ground transportation operations.

In-terminal concession revenue during fiscal year 2015 had a net increase of $12.4 million or 8.0% as compared to fiscal year 2014. The concessions benefited from the increased passenger traffic. Duty free revenues increased by $8.3 million, or 14.8%. Advertising revenue increased by $4.7 million, or 26.8% as a result of the new advertising contract. Foreign exchange and telecommunications increased by $1.1 million, or 14.8%. As discussed in Note 8 of the notes to the financial statements, LAWA entered into Terminal Commercial Management Concession Agreements with Westfield Concession Management, LLC to develop, lease, and manage retail, food and beverage in specific locations at the TBIT, Terminals 1, 2, 3 and 6. As a result, commercial management concession showed an increase of $19.6 million or 215.4% while the concession revenue from food and beverage, gifts and news showed a decrease of $21.2 million or 36.6% during fiscal year 2015. Overall, the total revenue from food and beverage concessionaires, gifts and news and commercial management concessionaires showed a slight decrease of $1.6 million, or 2.4% mainly caused by the closure of some retail locations due to the on-going terminal modernization projects.

Off-terminal concession revenue in fiscal year 2015 was $187.4 million as compared to $177.0 million in fiscal year 2014, an increase of $10.4 million, or 5.9%. Of the $10.4 million increase, $5.9 million was from auto parking, $2.1 million from rent-a-car (RAC), $1.3 million from bus, limousine and taxi services, and $1.1 million from flyaway bus service.

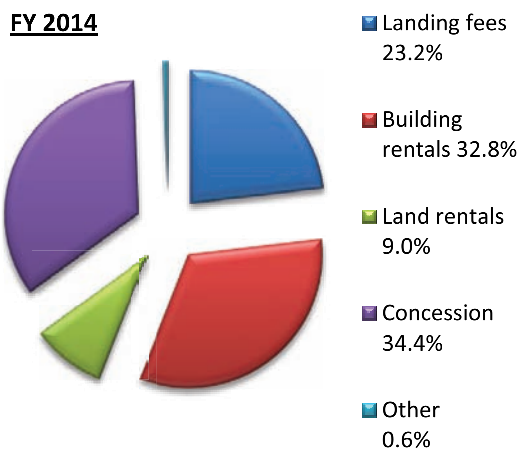
Comparative concession revenue by type for fiscal years 2015 and 2014 are presented in the following chart (amounts in millions).



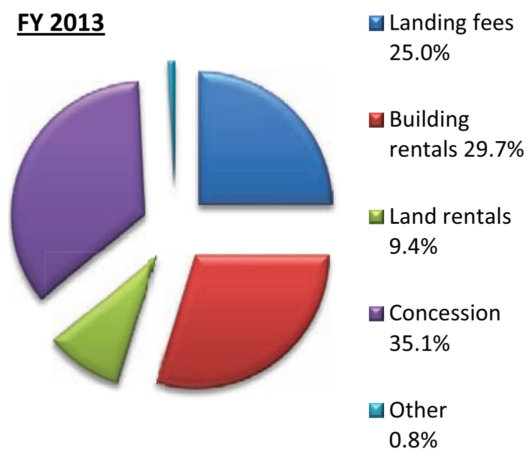
Operating Revenue, Fiscal Year 2014

The following chart illustrates the proportion of sources of operating revenue for fiscal years ended June 30, 2014 and 2013. Other aviation and other operating revenue were added and labeled "other."

FY 2014



FY 2013



For the fiscal year ended June 30, 2014, total operating revenue was $961.7 million, a $96.3 million or 11.1% increase from the prior fiscal year. The growth in aviation related revenue was $70.0 million. Non-aviation revenue had a net increase of $26.3 million mostly from concessions.

As described in the notes to the financial statements (see page 38), landing fees assessed to air carriers at LAX are based on a cost recovery methodology. Rates are set using budgeted expenses and estimates of landed weight. The fees are reconciled at the end of the fiscal year using actual expenses and actual landed weight, with differences credited or billed to the airlines accordingly. Terminal rental rates at LAX are calculated using a compensatory methodology. Rates are set based on operating and capital costs allocated to the terminal area and charged to users by leased space or activity in common-use areas.

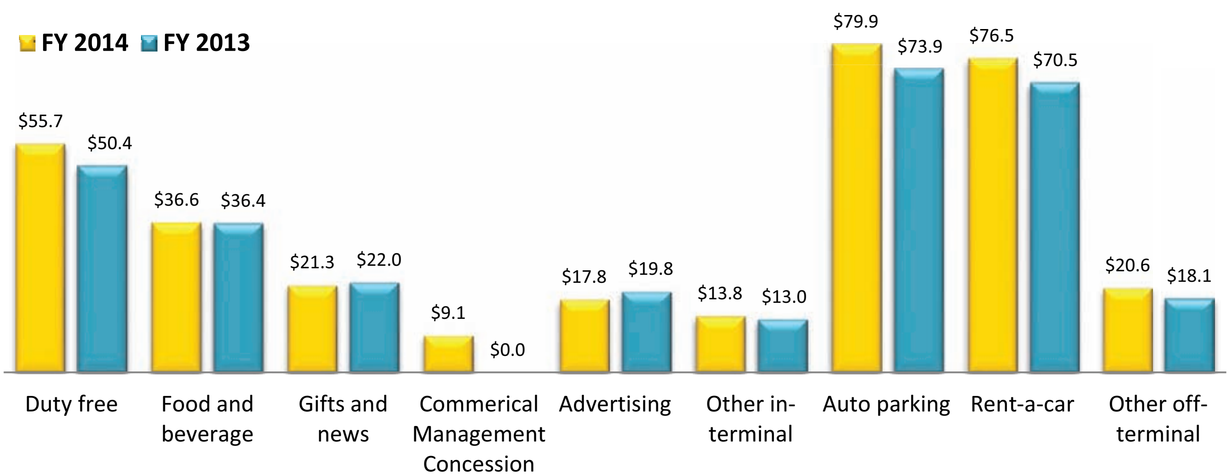
Landing fees for the fiscal year ended June 30, 2014 were up from $216.4 million to $222.6 million, or 2.9%. Total building rental revenue posted a growth of $58.5 million, or 22.7%. The increase was primarily attributable to the improvements and refurbishments in the terminals, the adoption of the new rates and charges, as well as the new and renegotiated leases signed with the airlines and other tenants. Building rental revenue from Skyview Center, which was acquired on June 25, 2013, represented $5.2 million of the increase. Land rental revenue increased by $5.5 million.

Total revenue from concessions was $331.3 million in fiscal year 2014, an 8.9% growth from $304.1 million in fiscal year 2013. In-terminal concession revenue are rentals collected from commercial management concessionaries, food and beverage concessionaires; duty free and retail merchants (gifts, news, and novelty items); and concessionaires for advertising, foreign exchange booths, telecommunications, automated teller machines, and luggage cart rental. Off-terminal concession revenue is derived from auto parking, rent-a-car, bus, limousine, taxi services and other commercial ground transportation operations.

In-terminal concession revenue during fiscal year 2014 had a net increase of $12.7 million or 9.0% as compared to fiscal year 2013. The concessions benefited from the increased passenger traffic and new offerings such that revenue from sales over the minimum annual guarantee (MAG) posted a notable improvement. Duty Free revenues increased by $5.3 million, or 10.5%. The total revenue from food and beverage concessionaires, retail merchants and commercial management concessionaires showed an increase of $8.6 million, or 14.7%. Advertising revenue decreased by $2.0 million, or 10.1% as a result of the loss of some advertising locations due to the closure of the old south concourse in Tom Bradley International Terminal (TBIT) and impacts of construction of new escalators, elevators, and walkways in the Terminal 4.

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

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



Operating Expenses

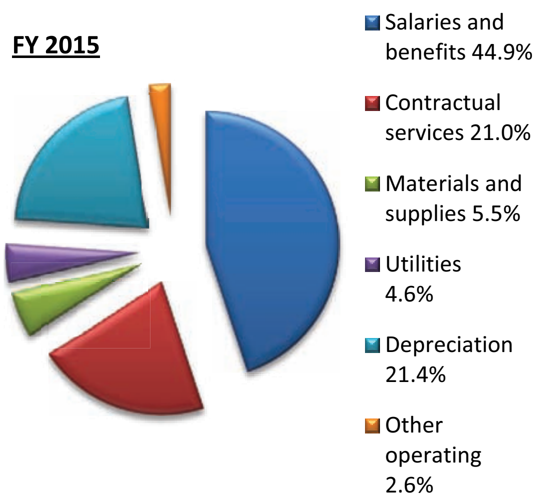
The following table presents a summary of LAX's operating expenses for the fiscal years ended June 30, 2015, 2014, and 2013. Included in other operating expenses are expenses for advertising and public relations, training and travel, insurance, lease, and other miscellaneous items.

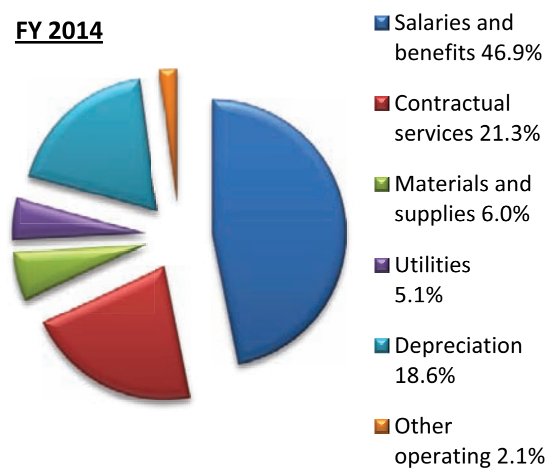
Summary of Operating Expenses (amounts in thousands)

	FY 2015	FY 2014	FY 2013	FY 2015 increase (decrease)	FY 2014 increase (decrease)
Salaries and benefits	$ 374,018	$ 356,726	$ 338,004	$ 17,292	$ 18,722
Contractual services	174,745	161,771	162,661	12,974	(890)
Materials and supplies	46,102	45,726	47,908	376	(2,182)
Utilities	38,355	39,089	32,472	(734)	6,617
Other operating expenses	21,205	16,093	18,383	5,112	(2,290)
Operating expenses before depreciation	654,425	619,405	599,428	35,020	19,977
Depreciation	178,035	141,795	134,500	36,240	7,295
Total operating expenses	832,460	761,200	733,928	71,260	27,272
Less- allocation to ONT, VNY and PMD	9,027	9,378	9,998	(351)	(620)
Net operating expenses	$ 823,433	$ 751,822	$ 723,930	$ 71,611	$ 27,892

Operating Expenses, Fiscal Year 2015

The following chart illustrates the proportion of categories of operating expenses, before allocation to other airports, for fiscal years ended June 30, 2015 and 2014. Included in other operating expenses are expenses for advertising and public relations, training and travel, insurance, lease, and other miscellaneous items.





For the fiscal year ended June 30, 2015, operating expenses before allocation to other airports were $832.5 million, a $71.3 million or 9.4% increase from the prior fiscal year. Expense categories that experienced notable changes were salaries and benefits, up by $17.3 million, contractual services, up by $13.0 million, and depreciation, up by $36.2 million, offset by the decrease in utilities of $0.7 million.

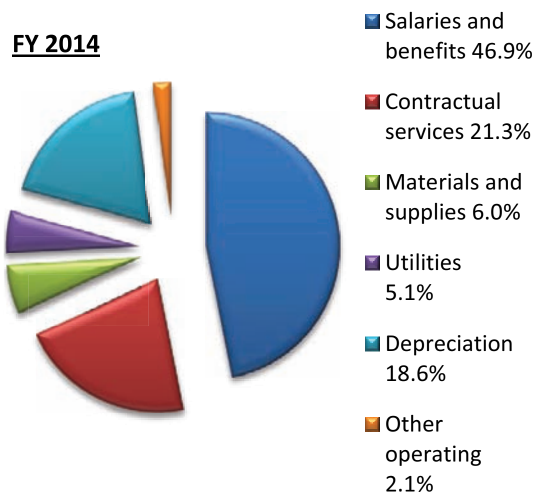
Salaries and overtime before capitalized charges had an increase of $12.7 million or 4.7% due mainly to bargaining agreements with employee unions. The combined increase in retirement contributions, healthcare subsidy, and accrued sick and vacation was $1.9 million, or 1.9%. The increase in provision for workers' compensation liability was mainly due to the increase in number of cases as well as the increase in some high value cases during fiscal year 2015. The increase in contractual services was mainly due to the surge in legal services expenses of $6.7 million for lawsuit relating to local control of the LA/ONT International Airport. The increase in depreciation charges from $141.8 million in fiscal year 2014 to $178.0 million was due to the completion of major projects including the Bradley West North and South Gates, and the core area improvements at LAX. During fiscal year 2015, $168.9 million was reclassified from construction work in progress to depreciable capital asset categories. The decrease in utilities from $39.1 million to $38.4 million in fiscal year 2015 was due to the decrease of electricity of $1.3 million, or 4.4%, decrease of gas and telephone of $0.8 million, or 17.4%, offset by the increase of $1.3 million, or 26.6% of water charges. The decrease was a result of the replacement of the Central Utility Plant (CUP) with an energy efficient facility which saves electrical and natural gas usage in fiscal year 2015.

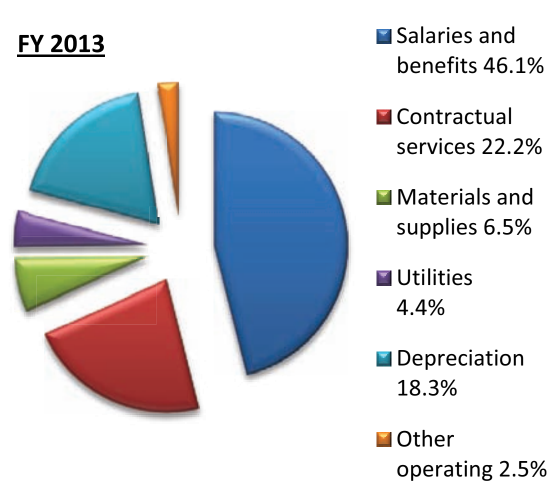
Materials and supplies, and other operating expenses increased by $0.4 million, or 0.8% and $5.1 million, or 31.8%, respectively. The increase in other operating expenses was mainly caused by a reduction in the reversal of bad debts allowance from $4.4 million in fiscal year 2014 to $0.3 million in fiscal year 2015. In accordance to LAX's policy, the allowance for bad debt is calculated based on 2% of outstanding month-end receivables plus 80% of all bankruptcy accounts and aged accounts over 120 days that are referred to the City Attorney.

Because of the reduction in their operating costs, allocations to ONT, VNY, and PMD (the other airports) also decreased. A 15% burden rate of their operating costs is allocated to the other airports for central services costs that are paid for by LAX. Such central service costs include general administration, financial and human resource services among other costs.

Operating Expenses, Fiscal Year 2014

The following chart illustrates the proportion of categories of operating expenses, before allocation to other airports, for fiscal years ended June 30, 2014 and 2013. Included in other operating expenses are expenses for advertising and public relations, training and travel, insurance, lease, and other miscellaneous items.





For the fiscal year ended June 30, 2014, operating expenses before allocation to other airports were $761.2 million, a $27.3 million or 3.7% increase from the prior fiscal year. Expense categories that experienced notable changes were salaries and benefits, up by $18.7 million, utilities, up by $6.6 million, and depreciation, up by $7.3 million. The remaining expense accounts had an aggregate net decrease of $5.4 million.

Salaries and overtime before capitalized charges had an increase of $15.5 million due mainly to bargaining agreements with employee unions. The combined increase in retirement contributions, healthcare subsidy, and accrued sick and vacation was $4.3 million while workers' compensation decreased by $1.1 million. The increase in utilities was attributable to a combination of higher electricity rates and consumption as a result of the new Bradley West Project in TBIT, which was opened in September 2013. The increase in depreciation charges from $134.5 million in fiscal year 2013 to $141.8 million was due to the completion of certain major projects at LAX terminals and airfield. During fiscal year 2014, $1,621.9 million was reclassified from construction work in progress to depreciable capital asset categories.

Contractual services, materials and supplies, and other operating expenses decreased by $0.9 million, $2.2 million and $2.3 million, respectively. Lower environmental consultant expenses as well as equipment maintenance and operations expenditures accounted for the decrease in contractual services. The costs for field paint, materials, supplies and services for the airfield marking was significantly lower in fiscal year 2014 following a significant airfield-marking project in fiscal year 2013. The decline in other operating expenses was mainly driven by the continued decrease in provision for bad debts as lesser customer accounts were in bankruptcy. In accordance to LAX's policy, the allowance for bad debt is calculated based on 2% of outstanding month-end receivables plus 80% of all bankruptcy accounts and aged accounts over 120 days that are referred to the City Attorney.

Because of the reduction in their operating costs, allocations to ONT, VNY, and PMD (the other airports) also decreased. A 15% burden rate of their operating costs is allocated to the other airports for central services costs that are paid for by LAX. Such central service costs include general administration, financial and human resource services among other costs.

Non-operating Transactions

Non-operating transactions are activities that do not result from providing services as well as producing and delivering goods in connection with LAX's ongoing operations. The following table presents a summary of these activities during fiscal years 2015, 2014, and 2013.

Summary of Non-operating Transactions (amounts in thousands)

	FY 2015	FY 2014	FY 2013	FY 2015 increase (decrease)	FY 2014 increase (decrease)
Nonoperating revenue					
Passenger facility charges	$ 137,855	$ 132,809	$ 124,610	$ 5,046	$ 8,199
Customer facility charges	29,347	28,675	27,295	672	1,380
Interest income	20,327	20,413	25,231	(86)	(4,818)
Net change in fair value of investments	(2,021)	1,799	(22,793)	(3,820)	24,592
Other non-operating revenue	8,618	11,122	12,067	(2,504)	(945)
	$ 194,126	$ 194,818	$ 166,410	$ (692)	$ 28,408
Nonoperating expenses					
Interest expense	$ 166,919	$ 133,694	$ 93,610	$ 33,225	$ 40,084
Other non-operating expenses	9,559	1,928	2,058	7,631	(130)
	$ 176,478	$ 135,622	$ 95,668	$ 40,856	$ 39,954
Federal and other grants	$ 30,964	$ 24,674	$ 12,264	$ 6,290	$ 12,410
Inter-agency transfers	$ 5,303	$ 6,329	$ (2,126)	$ (1,026)	$ 8,455

Non-operating Transactions, Fiscal Year 2015

As a result of the increase in passenger traffic in fiscal year 2015, PFCs increased by $5.0 million, or 3.8%. CFCs, which are imposed on each car rental transaction collected by car rental concessionaires and remitted to LAX, posted an increase of $0.7 million, or 2.3% in fiscal year 2015.

Interest income decreased slightly due to slightly lower average balance of cash and pooled investments held in City Treasury. The net change in fair value of investments reflects the decrease driven by the downward year-end net adjustment to the fair value of investment securities. A component of other non-operating revenue related to reimbursements for certain Transportation Security Administration (TSA) programs was $2.1 million less in fiscal year 2015. Interest expenses increased with additional issuances of revenue bonds in the amount of $497.3 million in fiscal year 2015 to finance capital improvement projects. The increase in other non-operating expenses was mainly due to correction of prior years' expenses of $6.9 million, together with $0.8 million bond issuance expenses.

Non-operating Transactions, Fiscal Year 2014

The increase of $8.2 million in PFCs from fiscal year 2013 represents a 6.6% improvement aligned with the encouraging gain in passenger traffic. CFCs posted an increase, mostly from rental car business buoyed by passenger traffic. CFCs are imposed on each car rental transaction collected by car rental concessionaires and remitted to LAX.

Interest income decreased due to lower average balance of cash and pooled investments held in City Treasury and the lower annualized rate of return for the Treasury Pool core portfolio from 0.23% in fiscal year 2013 to 0.16% in fiscal year 2014. Net change in fair value of investments increased as a result of the upward adjustment of the fair value of investment securities at June 30, 2014. Within the non-operating revenue, the increase of $3.8 million reimbursements for certain TSA programs in fiscal year 2014, was offset by the $3.1 million loss on demolition of the South Concourse in TBIT and reduction of $1.6 million in miscellaneous revenue. Interest expenses increased with additional issuances of revenue bonds in the amount of $241.9 million to finance capital improvement projects.

Long-Term Debt

As of June 30, 2015, LAX's outstanding bonded debt before unamortized premium and discount was $4.1 billion. Issuances during the year amounted to $497.3 million, redemption and advanced refunding totaled $190.6 million, and payments for scheduled maturities were $72.4 million. Together with the unamortized premium and discount, bonded debt of LAX increased by $316.5 million to $4,299.3 million.

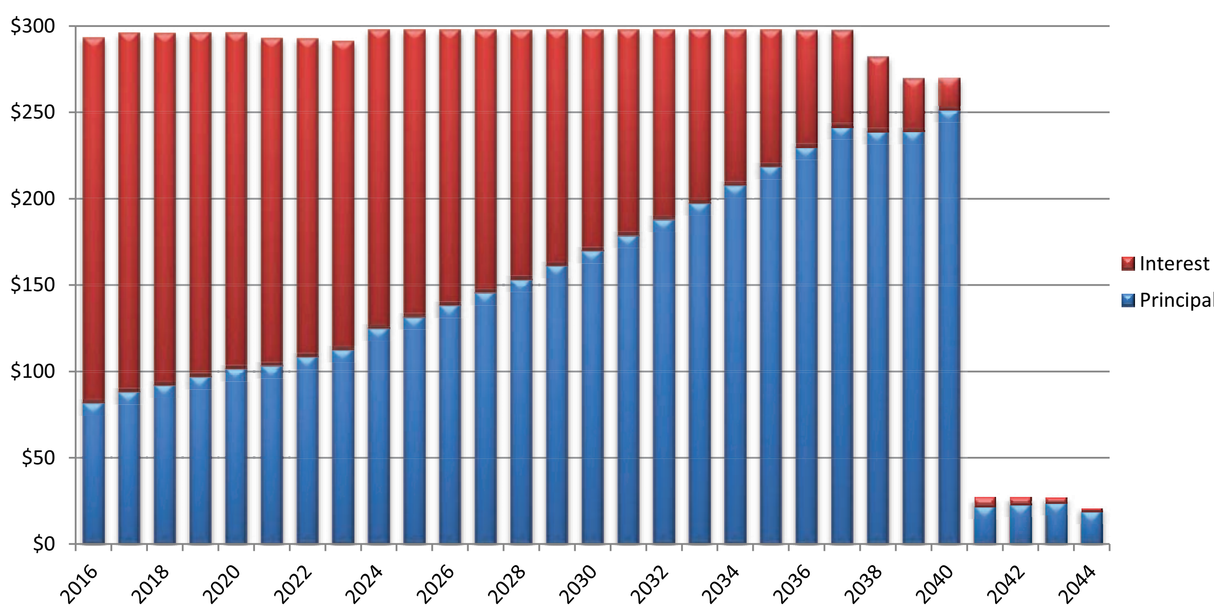
As of June 30, 2014, LAX's outstanding bonded debt before unamortized premium and discount was $3.9 billion. Issuances during the year amounted to $241.9 million, and payments for scheduled maturities were $53.2 million. Together with the unamortized premium and discount, bonded debt of LAX increased by $194.1 million to $3,982.8 million.

As of June 30, 2015 and 2014, LAX had $368.1 million and $350.5 million investments, respectively, held by fiscal agents that are pledged for the payment or security of the outstanding bonds.

As of June 30, 2015 and 2014, the ratings of LAX's outstanding bonds by Standard & Poor's Rating Services, Moody's Investors Service, and Fitch Ratings were as follows: AA, Aa3, and AA respectively for Senior Bonds; AA-, A1, and AA- respectively for Subordinate Bonds.

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

Outstanding principal, plus scheduled interest as of June 30, 2015, is scheduled to mature as shown in the following chart (amounts in millions).



Capital Assets

LAX's investment in capital assets, net of accumulated depreciation, as of June 30, 2015 and 2014 were $7.0 billion and $6.5 billion, respectively. This investment, which accounts for 74.6% and 72.6% of LAX's total assets as of June 30, 2015 and 2014, respectively, includes land, air easements, buildings, improvements, equipment and vehicles, emission reduction credits, and construction work in progress.

LAX'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 in Note 4 on pages 48-49.

Capital Assets, Fiscal Year 2015

Major capital expenditure activities during fiscal year 2015 included:

- $228.3 million interior improvements and security upgrades at TBIT and Bradley West
- $118.2 million renovations at Terminals 1 to 8
- $63.5 million replacement of CUP and cogeneration facilities
- $55.0 million residential acquisition, soundproofing and noise mitigation
- $49.2 million Central Terminal Area (CTA) curbside development project and Second Level Roadway Joint and Deck replacement
- $31.7 million replacement and improvements of elevators and escalators
- $26.7 million design and preconstruction of Midfield Satellite Concourse
- $23.5 million in costs related to various Information Technology network and systems projects
- $21.1 million construction of runways and taxiways
- $17.2 million in costs related to construction of West Maintenance Facility

At June 30, 2015, the amounts committed for capital expenditures included $5.0 million for airfield and runways, $7.1 million for noise mitigation program, $75.4 million for terminals and facilities, and $30.9 million for various other projects.

Capital Assets, Fiscal Year 2014

Major capital expenditure activities during fiscal year 2014 included:

- $325.1 million improvements and security upgrades at the TBIT
- $73.6 million renovations at Terminals 1 to 8
- $55.9 million replacement of CUP and cogeneration facilities
- $38.4 million replacement and improvements of elevators and escalators
- $26.5 million residential acquisition, soundproofing and noise mitigation
- $17.9 million CTA curbside development project and Second Level Roadway Joint and Deck replacement
- $12.8 million in costs related to various Information Technology network and systems projects
- $13.7 million in costs related to various other projects

At June 30, 2014, the amounts committed for capital expenditures included $7.5 million for airfield and runways, $6.7 million for noise mitigation program, $92.5 million for terminals and facilities, and $32.8 million for various other projects.

Landing Fees, Fiscal Year 2016

The airline landing fees for fiscal year 2016, which became effective as of July 1, 2015 are as follows:

Permitted air carriers	Non-permitted air carriers	
$ 57.00	$ 71.00	For each landing of aircraft having a maximum gross landing weight of 12,500 pounds or less
110.00	138.00	For each landing of aircraft having a maximum gross landing weight of more than 12,500 pounds up to and including 25,000 pounds
3.46	4.33	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
4.38	5.48	Per 1,000 pounds of maximum gross landing weight for each landing by an air carrier passenger having a maximum gross landing weight of more than 25,000 pounds

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 fiscal 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 International Airport's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Ryan P. Yakubik, Chief Financial Officer, Los Angeles World Airports, 1 World Way, Los Angeles, CA 90045.

2015 ANNUAL FINANCIAL REPORT

Financial Statements

Financial Statements

Los Angeles World Airports
(Department of Airports of the City of Los Angeles)
Los Angeles International Airport

Statements of Net Position
June 30, 2015 and 2014
(amounts in thousands)

	2015	2014
ASSETS		
Current Assets		
Unrestricted current assets		
Cash and pooled investments held in City Treasury	$ 572,908	$ 606,903
Investments with fiscal agents	100,913	6,752
Accounts receivable, net of allowance for uncollectible accounts: 2015 - $756; 2014 - $1,478	189	19,237
Unbilled receivables	28,868	26,909
Accrued interest receivable	2,639	2,372
Grants receivable	13,899	14,733
Receivable from City General Fund	2,684	2,606
Due from other agencies	49,594	66,045
Prepaid expenses	4,266	5,139
Inventories	1,552	1,538
Total unrestricted current assets	777,512	752,234
Restricted current assets		
Cash and pooled investments held in City Treasury	913,788	1,047,774
Investments with fiscal agents	653,729	599,590
Accrued interest receivable	1,463	1,785
Passenger facility charges receivable	19,038	20,961
Customer facility charges receivable	2,584	2,986
Total restricted current assets	1,590,602	1,673,096
Total current assets	2,368,114	2,425,330
Noncurrent Assets		
Capital assets		
Not depreciated	3,340,623	2,803,034
Depreciated, net	3,650,877	3,650,218
Total capital assets	6,991,500	6,453,252
Other noncurrent assets		
Receivable from City General Fund, net of current portion	8,550	11,235
Total other noncurrent assets	8,550	11,235
Total noncurrent assets	7,000,050	6,464,487
TOTAL ASSETS	9,368,164	8,889,817
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charges on debt refunding	25,307	676
Changes of assumptions related to pension	82,071	--
Contribution after measurement date related to pension	49,043	--
TOTAL DEFERRED OUTFLOWS OF RESOURCES	156,421	676

Statements of Net Position (continued)
June 30, 2015 and 2014
(amounts in thousands)

	2015	2014
LIABILITIES		
Current Liabilities		
Current liabilities payable from unrestricted assets		
Contracts and accounts payable	$ 208,250	$ 317,964
Accrued salaries	12,766	11,438
Accrued employee benefits	4,598	4,464
Estimated claims payable	8,332	7,470
Commercial paper	50,123	52,160
Obligations under securities lending transactions	3,881	908
Other current liabilities	16,072	8,268
Total current liabilities payable from unrestricted assets	304,022	402,672
Current liabilities payable from restricted assets		
Contracts and accounts payable	1,893	4,361
Current maturities of bonded debt	81,700	72,390
Accrued interest payable	26,434	25,004
Obligations under securities lending transactions	6,177	1,509
Other current liabilities	10,525	8,853
Total current liabilities payable from restricted assets	126,729	112,117
Total current liabilities	430,751	514,789
Noncurrent Liabilities		
Bonded debt, net of current portion	4,217,562	3,910,421
Accrued employee benefits, net of current portion	37,208	36,122
Estimated claims payable, net of current portion	67,227	61,401
Liability for environmental/hazardous materials cleanup	12,783	12,783
Net pension obligation	--	9,062
Net pension liability	566,613	--
Other long-term liabilities	886	886
Total noncurrent liabilities	4,902,279	4,030,675
TOTAL LIABILITIES	5,333,030	4,545,464
DEFERRED INFLOWS OF RESOURCES		
Differences between expected and actual experience related to pension	16,914	--
Differences between projected and actual investment earnings related to pension	103,501	--
Changes in proportion and differences between employer contributions and proportionate share of contributions related to pension	17,723	--
TOTAL DEFERRED INFLOWS OF RESOURCES	138,138	--
NET POSITION		
Net investment in capital assets	2,952,716	2,667,815
Restricted for:		
Debt service	341,697	325,490
Passenger facility charges funded projects	528,511	710,576
Customer facility charges funded projects	214,231	182,814
Operations and maintenance reserve	174,228	164,284
Federally forfeited property and protested funds	1,289	1,088
Unrestricted	(159,255)	292,962
TOTAL NET POSITION	$ 4,053,417	$ 4,345,029

See accompanying notes to the financial statements.

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

Los Angeles International Airport

Statements of Revenues, Expenses and Changes in Net Position
For the Fiscal Years Ended June 30, 2015 and 2014
(amounts in thousands)

	2015	2014
OPERATING REVENUE		
Aviation revenue		
Landing fees	$ 227,518	$ 222,608
Building rentals	365,296	315,764
Land rentals	90,478	86,534
Other aviation revenue	4,564	3,620
Total aviation revenue	687,856	628,526
Concession revenue	354,082	331,311
Other operating revenue	3,862	1,892
Total operating revenue	1,045,800	961,729
OPERATING EXPENSES		
Salaries and benefits	374,018	356,726
Contractual services	174,745	161,771
Materials and supplies	46,102	45,726
Utilities	38,355	39,089
Other operating expenses	21,205	16,093
Allocated administrative charges	(9,027)	(9,378)
Total operating expenses before depreciation and amortization	645,398	610,027
Operating income before depreciation and amortization	400,402	351,702
Depreciation and amortization	178,035	141,795
OPERATING INCOME	222,367	209,907
NONOPERATING REVENUE (EXPENSES)		
Passenger facility charges	137,855	132,809
Customer facility charges	29,347	28,675
Interest income	20,327	20,413
Net change in fair value of investments	(2,021)	1,799
Interest expense	(166,919)	(133,694)
Other nonoperating revenue	8,618	11,122
Other nonoperating expenses	(9,559)	(1,928)
Total nonoperating revenue, net	17,648	59,196
INCOME BEFORE CAPITAL GRANTS AND INTER-AGENCY TRANSFERS	240,015	269,103
Federal and other government grants	30,964	24,674
Inter-agency transfers	5,303	6,329
CHANGE IN NET POSITION	276,282	300,106
NET POSITION, BEGINNING OF YEAR, AS PREVIOUSLY REPORTED	4,345,029	4,044,923
Change in accounting principle	(567,894)	--
NET POSITION, BEGINNING OF YEAR, AS RESTATED	3,777,135	4,044,923
NET POSITION, END OF YEAR	$ 4,053,417	$ 4,345,029

See accompanying notes to the financial statements.

Los Angeles World Airports
(Department of Airports of the City of Los Angeles)
Los Angeles International Airport

Statements of Cash Flows
For the Fiscal Years Ended June 30, 2015 and 2014
(amounts in thousands)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 1,073,907	$ 976,844
Payments to suppliers	(188,643)	(128,523)
Payments for employee salaries and benefits	(374,789)	(354,124)
Payments for City services	(86,672)	(93,439)
Inter-agency receipts for services, net	9,027	9,378
Net cash provided by operating activities	432,830	410,136
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Noncapital grants received	10,803	13,253
Inter-agency transfers in (out)	21,754	5,793
Net cash provided by noncapital financing activities	32,557	19,046
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of revenue bonds and commercial paper notes	784,228	253,413
Principal paid on revenue bonds and commercial paper notes	(465,046)	(69,305)
Interest paid on revenue bonds and commercial paper notes	(161,819)	(196,760)
Revenue bonds and commercial paper notes issuance costs	(2,488)	(1,703)
Acquisition and construction of capital assets	(870,564)	(534,351)
Proceeds from passenger facility charges	139,777	132,782
Proceeds from customer facility charges	29,749	28,450
Capital contributed by federal agencies	31,798	24,418
Net cash used for capital and related financing activities	(514,365)	(363,056)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	20,718	22,294
Net change in fair value of investments	(2,021)	1,799
Cash collateral received (paid) under securities lending transactions	7,641	(4,354)
Sales (purchases) of investments	2,959	(3,856)
Net cash provided by investing activities	29,297	15,883
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(19,681)	82,009
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,261,019	2,179,010
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 2,241,338	$ 2,261,019

	2015	2014
CASH AND CASH EQUIVALENTS COMPONENTS		
Cash and pooled investments held in City Treasury- unrestricted	$ 572,908	$ 606,903
Investments with fiscal agents- unrestricted	100,913	6,752
Cash and pooled investments held in City Treasury- restricted	913,788	1,047,774
Investments with fiscal agents- restricted	653,729	599,590
Total cash and cash equivalents	$ 2,241,338	$ 2,261,019
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 222,367	$ 209,907
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	178,035	141,795
Change in provision for uncollectible accounts	(722)	(5,168)
Other nonoperating revenues (expenses), net	(6,219)	740
Changes in operating assets and liabilities and deferred outflows and inflows of resources		
Accounts receivable	19,770	18,390
Unbilled receivables	(1,959)	5,988
Prepaid expenses and inventories	830	(4,973)
Contracts and accounts payable	8,296	52,355
Accrued salaries	1,328	1,459
Accrued employee benefits	1,220	1,543
Other liabilities	4,141	(11,900)
Net pension liability and related changes in deferred outflows and inflows of resources	5,743	--
Total adjustments	210,463	200,229
Net cash provided by operating activities	$ 432,830	$ 410,136
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets included in contracts and accounts payable	$ 80,815	$ 198,288

See accompanying notes to the financial statements.

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Index to the Notes to the Financial Statements

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

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Notes to the Financial Statements
June 30, 2015 and 2014

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 property consisting of approximately 17,750 acres of land in the City of Palmdale and retains the rights for future development of the Palmdale property.

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.

The accompanying financial statements present the net position and changes in net position and cash flows of LAX. These financial statements are not intended to present the financial position and changes in financial position of LAWA or the City, or cash flows of LAWA or the City's enterprise funds.

b. Basis of Accounting

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

c. Cash, Cash Equivalents, and Investments

LAX'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. LAX's portion of the pool is presented on the statements of net position as "Cash and Pooled Investments Held in City Treasury." LAX'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. LAX's share of assets and liabilities arising from the reinvested cash collateral has been recognized in the statements of net position.

LAX 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. LAX 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

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

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

e. Inventories

LAX'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. LAX 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.

LAX 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 2015 and 2014 were $33.8 million and $57.6 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; airfield and other improvements, 10 to 35 years; equipment, 5 to 20 years; and computer software, 5 to 10 years. No depreciation is provided for construction work in process until construction is completed and/or the asset is placed in service. Also, no depreciation is taken on air easements and emission reduction credits because they are considered inexhaustible.

g. Contracts Payable, Accounts Payable, and Other Liabilities

All transactions for goods and services obtained by LAX 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 LAX makes agreements that require customers to make cash deposits, these amounts are then reflected as other current liabilities.

h. Operating and Non-operating Revenues and Expenses

LAX distinguishes between operating revenues and expenses, and non-operating revenues and expenses. Operating revenues and expenses generally result from providing services, and producing and delivering goods in connection with LAX's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. LAX derives its operating revenues primarily from landing fees, terminal space rental, auto parking, and concessions. LAX'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 determine the charges to the airlines each time that a qualified aircraft lands at LAX and landing fees assessed to air carriers are based on cost recovery methodologies. The landing fee is calculated annually to recover the costs of constructing, maintaining and operating airfield facilities. Costs recovered through these fees are identified using allocation methods of relevant costs attributable to that airfield. Landing fees are initially set using estimates of cost and activity and are reconciled to actual results following the end of each fiscal year.

j. Terminal Rates and Charges

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

The new rates were effective beginning January 1, 2013 for airlines and airline consortia agreeing to the new methodology and executing a rate agreement with LAWA (signatory airlines). Agreements with signatory airlines terminate on December 31, 2022. The new rate agreement provides a Signatory Transitional Phase-in (STP) program that allows for reduced rates during the first five years of the implementation period. In addition, signatory airlines will share in the concession revenue derived from the terminals based on prescribed two-tiered formulae. Tier One Revenue Sharing has the effect of reducing the calculated terminal building rate (beginning calendar year 2014) and FIS rate (beginning calendar year 2016). Tier Two Revenue Sharing is distributed to signatory airlines in the form of a credit at the end of each calendar year beginning in 2014, subject to certain conditions.

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

k. Concession Revenue

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

l. Unearned Revenue

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

m. Accrued Employee Benefits

Accrued employee benefits include estimated liability for vacation and sick leaves. LAX 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, 2015 and 2014 are as follows (amounts in thousands):

Type of benefit	2015	2014
Accrued vacation leave	$ 21,259	$ 20,930
Accrued sick leave	20,547	19,656
Total	$ 41,806	$ 40,586

n. Deferred Outflows and Inflows of Resources

In addition to assets and liabilities, LAX reports a separate section for deferred outflows of resources and deferred inflows of resources, respectively. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and won't be recognized as an outflow of resources until then. Deferred inflows of resources represent an acquisition of resources that is applicable to future reporting period(s) that won't be recognized as an inflow of resources until then.

LAX reported deferred charges on refunding of $25.3 million and $0.7 million for fiscal years 2015 and 2014, respectively, as a result of the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities.*

As a result of the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27,* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68,* LAX reported the following deferred outflows and inflows of resources:

Deferred outflows of resources for fiscal year 2015:

- Changes of assumptions related to pension of $82.1 million.
- Contribution after measurement date related to pension of $49.0 million.

Deferred inflows of resources for fiscal year 2015:

- Differences between projected and actual investment earnings related to pension of $103.5 million
- Changes in proportion and differences between employer contributions and proportionate share of contributions related to pension of $17.7 million
- Differences between expected and actual actuarial experience related to pension of $16.9 million.

The data for prior year, fiscal year 2014, was not restated because all of the information available to restate prior year amounts was not readily available.

o. Federal Grants

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

p. Bond Premiums and Discounts

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

In fiscal year 2015, LAX changed the method of amortizing bond premiums or discounts from straight-line method to effective interest method. The effective interest method allocates bond interest expense over the life of the bonds in such a way that it yields a constant rate of interest, which in turn is the market rate of interest at the date of issue of bonds. With effective interest method, the amortization of bond premiums or discounts is calculated using the effective market interest rate versus the coupon rate used in straight-line method.

q. Net Position

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

- *Net Investment in Capital Assets* – This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

- *Restricted Net Position* – This category presents restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Those assets are restricted due to external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. At June 30, 2015 and 2014, net position of $742.7 million and $893.4 million, respectively, are restricted by enabling legislation.

- *Unrestricted Net Position* – This category represents net position of LAX that is not restricted for any project or other purpose.

r. Use of Restricted/Unrestricted Net Position

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

s. Use of Estimates

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

t. Restatement of Net Position

The net position at July 1, 2014 was restated by $567.9 million to adjust for the change in accounting principle as a result of the implementation of GASB Statements No. 68 and 71:

	2015
NET POSITION, BEGINNING OF YEAR, AS PREVIOUSLY REPORTED	$ 4,345,029
Change in accounting principle as a result of implementation of GASB Statement No. 68	(567,894)
NET POSITION, BEGINNING OF YEAR, AS RESTATED	$ 3,777,135

The beginning of the year net position for fiscal year 2014 was not restated because all of the information available to restate prior year amounts was not readily available.

2. New Accounting Standards

Implementation of the following GASB statements is effective fiscal year 2015.

Issued in June 2012, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27,* 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 LAX 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.

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

As of July 1, 2014, LAX adopted the provisions of GASB Statements No. 68 and No. 71 and restated the beginning net position by $567.9 million to recognize the proportionate shares of net pension liability as of June 30, 2014. Additional information can be found in Note 1(t) on page 41.

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. This statement had no impact on LAX's financial statements for fiscal year 2015.

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

Issued in February 2015, GASB Statement No. 72, *Fair Value Measurement and Application,* addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. Implementation of this statement is effective fiscal year 2016.

Issued in June 2015, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,* establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68 as well as for the assets accumulated for purposes of providing those pensions. In addition, this statement also clarifies the application of certain provisions of GASB Statement No. 68 with regard to the information that is required to be presented as notes to the 10-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported. Implementation of this statement is effective fiscal year 2017.

Issued in June 2015, GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* replaces GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended*, and GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans.* This statement will improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. Implementation of this statement is effective fiscal year 2017.

Issued in June 2015, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* addresses accounting and financial reporting for other postemployment benefit (OPEB) that is provided to the employees of state and local governmental employers. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense. For defined benefit OPEB, this statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Implementation of this statement is effective fiscal year 2018.

Issued in June 2015, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles (GAAP) for State and Local Governments,* consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. Implementation of this statement is effective fiscal year 2016.

Issued in August 2015, GASB Statement No. 77, *Tax Abatement Disclosures*, requires disclosure of tax abatement information about a reporting government's own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government's tax revenues. Implementation of this statement is effective fiscal year 2017.

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 capital, liquidity, and rate of return. The Policy addresses soundness of financial institutions in which the Treasurer will deposit funds and types of investment instruments permitted under California law.

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

LAX maintains a portion of its unrestricted and restricted cash and investments in the City's cash and investment pool (the Pool). LAX's share of the Pool of $1.5 billion and $1.7 billion as of June 30, 2015 and 2014 represented approximately 17.8% and 21.2%, respectively. There are no specific investments belonging to LAX. Included in LAX's portion of the Pool is the allocated investment agreements traded at year-end that were settled in the subsequent fiscal year. LAX's allocated shares for fiscal years 2015 and 2014 were $17.1 million and $14.2 million, respectively, and were reported as other current liabilities in the statement of net position. The City issues a publicly available financial report that includes complete disclosures related to the entire cash and investment pool. The report may be obtained by writing to the City of Los Angeles, Office of the Controller, 200 North Main Street, City Hall East Suite 300, Los Angeles, CA 90012, or by calling (213) 978-7200.

b. City of Los Angeles Securities Lending Program

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

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

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

LAX participates in the City's securities lending program through the pooled investment fund. LAX 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, 2015, LAX's portion of the cash collateral and the related obligation in the City's program was $10.1 million. LAX's portion of the securities purchased from the reinvested cash collateral at June 30, 2015 was $10.1 million. Such securities are stated at fair value and reported under the cash and pooled investments held in City Treasury. LAX's portion of the noncash collateral at June 30, 2015 was $126.8 million. At June 30, 2014, LAX's portion of the cash collateral and the related obligation in the City's program was $2.4 million. LAX's portion of the securities purchased from the reinvested cash collateral at June 30, 2014 was $2.4 million. Such securities are stated at fair value. LAX's portion of the noncash collateral at June 30, 2014 was $66.7 million.

During the fiscal years, collateralizations on all loaned securities were within the required 102.0% 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, 2015 and 2014 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 LAX's portfolio are similar as those of the City Treasurer's, and have similar objectives. LAX's investments held by fiscal agents are for the following purposes (amounts in thousands):

	2015	2014
Unrestricted, current		
Commercial paper and cash at bank	$ 100,913	$ 6,752
Restricted, current and noncurrent		
Bond security funds	368,130	350,494
Construction funds	285,599	249,096
Subtotal	653,729	599,590
Total	$ 754,642	$ 606,342

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 LAX for capital expenditures incurred or to be incurred.

At June 30, 2015, the investments and their maturities are as follows (amounts in thousands):

		Investment maturities	
	Amount	1 to 60 days	61 to 365 days
Money market mutual funds	$ 226,765	$ 226,765	$ --
State of California LAIF	423,614	--	423,614
Subtotal	650,379	$ 226,765	$ 423,614
Bank deposit accounts	104,263		
Total	$ 754,642		

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

		Investment maturities	
	Amount	1 to 60 days	61 to 365 days
Money market mutual funds	$ 383,436	$ 383,436	$ --
State of California LAIF	216,154	--	216,154
Subtotal	599,590	$ 383,436	$ 216,154
Bank deposit accounts	6,752		
Total	$ 606,342		

Interest Rate Risk. LAX 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, 2015 and 2014, the money market mutual funds were rated AAAm by Standard and Poor's, and Aaa by Moody's.

As of June 30, 2015, LAX's investments in LAIF held by fiscal agents totaled $423.6 million. The total amount invested by all public agencies in LAIF at that date was $21.5 billion. The LAIF is part of the State's Pooled Money Investment Account (PMIA). As of June 30, 2015, the investments in the PMIA totaled $69.7 billion, of which 97.9% is invested in non-derivative financial products and 2.1% in structured notes and asset-backed securities. The weighted average maturity of LAIF investments was 239 days as of June 30, 2015. LAIF is not rated.

As of June 30, 2014, LAX's investments in LAIF held by fiscal agents totaled $216.2 million. The total amount invested by all public agencies in LAIF at that date was $21.1 billion. The LAIF is part of the State's Pooled Money Investment Account (PMIA). As of June 30, 2014, the investments in the PMIA totaled $64.9 billion, of which 98.1% is invested in non-derivative financial products and 1.9% in structured notes and asset-backed securities. The weighted average maturity of LAIF investments was 232 days as of June 30, 2014. LAIF is not rated.

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 LAX'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 LAX's name.

4. Capital Assets

LAX had the following activities in capital assets during fiscal year 2015 (amounts in thousands):

	Balance at July 1, 2014	Interagency transfers and additions	Interagency transfers, retirements & disposals	Interaccount transfers	Balance at June 30, 2015
Capital assets not depreciated					
Land and land clearance	$ 840,530	$ --	$ --	$ --	$ 840,530
Air easements	44,346	--	--	--	44,346
Emission reduction credits	5,918	--	--	--	5,918
Construction work in progress	1,912,240	706,474	--	(168,885)	2,449,829
Total capital assets not depreciated	2,803,034	706,474	--	(168,885)	3,340,623
Capital assets depreciated					
Buildings	2,112,285	--	(12,413)	155,084	2,254,956
Improvements	3,028,121	5,335	--	10,499	3,043,955
Equipment and vehicles	203,328	7,511	(2,234)	3,302	211,907
Computer software	3,611	--	--	--	3,611
Total capital assets depreciated	5,347,345	12,846	(14,647)	168,885	5,514,429
Less accumulated depreciation					
Buildings	(380,974)	(14,396)	9,625	--	(385,745)
Improvements	(1,164,248)	(149,836)	--	--	(1,314,084)
Equipment, vehicles and computer software	(151,905)	(13,803)	1,985	--	(163,723)
Total accumulated depreciation	(1,697,127)	(178,035)	11,610	--	(1,863,552)
Capital assets depreciated, net	3,650,218	(165,189)	(3,037)	168,885	3,650,877
Total capital assets	$ 6,453,252	$ 541,285	$ (3,037)	$ --	$ 6,991,500

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

	Balance at July 1, 2013	Interagency transfers and additions	Interagency transfers, retirements & disposals	Interaccount transfers	Balance at June 30, 2014
Capital assets not depreciated					
Land and land clearance	$ 840,530	$ --	$ --	$ --	$ 840,530
Air easements	44,346	--	--	--	44,346
Emission reduction credits	5,918	--	--	--	5,918
Construction work in progress	2,843,537	690,560	--	(1,621,857)	1,912,240
Total capital assets not depreciated	3,734,331	690,560	--	(1,621,857)	2,803,034
Capital assets depreciated					
Buildings	633,575	--	(15,558)	1,494,268	2,112,285
Improvements	2,887,179	14,692	(194)	126,444	3,028,121
Equipment and vehicles	199,513	4,888	(1,073)	-	203,328
Computer software	2,466	--	--	1,145	3,611
Total capital assets depreciated	3,722,733	19,580	(16,825)	1,621,857	5,347,345
Less accumulated depreciation					
Buildings	(378,247)	(15,190)	12,463	--	(380,974)
Improvements	(1,047,387)	(117,055)	194	--	(1,164,248)
Equipment and vehicles	(143,428)	(9,550)	1,073	--	(151,905)
Total accumulated depreciation	(1,569,062)	(141,795)	13,730	--	(1,697,127)
Capital assets depreciated, net	2,153,671	(122,215)	(3,095)	1,621,857	3,650,218
Total capital assets	$ 5,888,002	$ 568,345	$ (3,095)	$ --	$ 6,453,252

5. Commercial Paper

As of June 30, 2015 and 2014, LAX had outstanding commercial paper (CP) notes of $50.1 million and $52.2 million, respectively. The respective average interest rates in effect as of June 30, 2015 and 2014 were 0.20% and 0.24%. 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.

LAX entered into a letter of credit (LOC) and reimbursement agreements with the following institutions to provide liquidity and credit support for the CP program: Bank of the West for $54.5 million to expire on October 2, 2017; Sumitomo Mitsui Bank for $109.0 million to expire on October 2, 2017; Wells Fargo Bank for $218.0 million to expire on October 2, 2017; and Barclays Bank PLC for $163.5 million to expire on January 16, 2018. LAX paid the LOC banks an annual commitment fee ranging from 0.27% and 0.35% on the stated amount of the LOC. LOC fees of $1.8 million were paid for each of the fiscal year 2015 and 2014.

LAX had the following CP activity during fiscal year 2015 (amounts in thousands):

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015
Series B	$ -	$ 200,000	$ (200,000)	$ -
Series C	52,160	65	(2,102)	50,123
Total	$ 52,160	$ 200,065	$ (202,102)	$ 50,123

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

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

6. Bonded Debt

Bonds issued by LAX are payable solely from revenues of LAX 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, 2015 and 2014 are as follows (amounts in thousands):

Bond issues	Issue date	Interest rate	Fiscal year of last scheduled	Original principal	Outstanding principal 2015	Outstanding principal 2014
Issue of 2008, Series A	8/06/08	3.750% - 5.500%	2038	602,075	518,115	529,515
Issue of 2008, Series B	8/06/08	3.000% - 5.000%	2015	7,875	--	1,365
Issue of 2008, Series C	8/06/08	3.000% - 5.250%	2038	243,350	22,100	217,640
Issue of 2009, Series A	12/03/09	2.000% - 5.250%	2039	310,410	284,770	291,495
Issue of 2009, Series C	12/03/09	5.175% - 6.582%	2039	307,350	307,350	307,350
Issue of 2009, Series D	12/03/09	2.500% - 5.000%	2015	31,815	--	7,955
Issue of 2009, Series E	12/03/09	2.000% - 5.000%	2020	39,750	20,805	24,450
Issue of 2010, Series A	4/08/10	3.000% - 5.000%	2040	930,155	905,090	923,325
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	854,555	863,225
Issue of 2012, Series A	12/18/12	3.000% - 5.000%	2029	105,610	94,380	100,665
Issue of 2012, Series B	12/18/12	2.000% - 5.000%	2037	145,630	139,180	141,895
Issue of 2012, Series C	12/18/12	3.000% - 5.000%	2019	27,870	27,460	27,870
Issue of 2013, Series A	11/19/13	5.000%	2043	170,685	170,685	170,685
Issue of 2013, Series B	11/19/13	4.625% - 5.000%	2038	71,175	71,175	71,175
Issue of 2015, Series A	2/24/15	3.230% - 5.000%	2045	267,525	267,525	--
Issue of 2015, Series B	2/24/15	2.920% - 5.000%	2045	47,925	47,925	--
Issue of 2015, Series C	2/24/15	3.000% - 5.000%	2035	181,805	181,805	--
Total principal amount				$4,560,850	4,106,960	3,872,650
Unamortized premium					198,252	117,890
Unamortized discount					(5,950)	(7,729)
Net revenue bonds					4,299,262	3,982,811
Less- current portion of debt					(81,700)	(72,390)
Net noncurrent debt					$ 4,217,562	$3,910,421

b. Pledged Revenue

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

LAX 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. Board of Airport Commissioners authorized amounts of $91.0 million and $96.5 million were used for debt service in fiscal years 2015 and 2014, respectively.

The total principal and interest remaining to be paid on the bonds is $7.5 billion. Principal and interest paid during fiscal year 2015 and the net pledged revenues on GAAP basis (as defined in the master senior and subordinate indentures, together with the $91.0 million PFCs funds discussed in the preceding paragraph), were $275.5 million and $512.0 million, respectively. Principal and interest paid during fiscal year 2014 and the net pledged revenues on GAAP basis (as defined in the master senior and subordinate indentures, together with the $96.5 million PFCs funds discussed in the preceding paragraph), were $249.4 million and $472.5 million, respectively. Based on provisions of the bond indenture in calculating debt service coverage, PFCs reimbursements are excluded from senior lien bonds debt service, and interest expenses from commercial papers are included in the subordinate lien bonds debt service.

c. Bond Issuances

On February 24, 2015, LAX issued senior lien LAX revenue bonds Series 2015A of $267.5 million, Series 2015B of $47.9 million, and LAX subordinate revenue bonds Series 2015C of $181.8 million. The premium for these issuances totaled $86.9 million. The bonds were issued to pay for certain capital projects at LAX and to advance refund and defease a portion of the Series 2008C subordinate revenue bonds in the amount of $190.6 million. These transactions resulted in a cash flow savings of $25.7 million and economic gain of $16.9 million.

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

d. Principal Maturities and Interest

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

Fiscal year(s) ending	Principal	Interest	Total
2016	$ 81,700	$ 211,467	$ 293,167
2017	88,065	207,786	295,851
2018	91,970	203,737	295,707
2019	96,910	199,308	296,218
2020	101,480	194,562	296,042
2021 - 2025	580,510	891,722	1,472,232
2026 - 2030	768,175	720,748	1,488,923
2031 - 2035	990,365	498,562	1,488,927
2036 - 2040	1,200,660	216,148	1,416,808
2041 - 2045	107,125	15,659	122,784
Total	$ 4,106,960	$ 3,359,699	$ 7,466,659

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. LAX receives a direct federal subsidy payment in the amount equal to 35% of the interest expense on the BABs. The automatic cuts in spending (referred to as "sequestration") for the federal fiscal years ending September 30, 2015 and September 30, 2014 reduced the subsidy. The interest subsidy on the BABs was $7.7 million each for fiscal year 2015 and 2014. The subsidy is recorded as a noncapital grant, a component of other non-operating revenue.

7. Changes in Long-Term Liabilities

LAX had the following long-term liabilities activities for fiscal year ended June 30, 2015 (amounts in thousands):

	Balance at July 1, 2014	Additions	Reduction	Balance at June 30, 2015	Current Portion
Revenue bonds	$ 3,872,650	$ 497,255	$ (262,945)	$ 4,106,960	$ 81,700
Add unamortized premium	117,890	91,717	(11,355)	198,252	--
Less unamortized discount	(7,729)	--	1,779	(5,950)	--
Net revenue bonds	3,982,811	588,972	(272,521)	4,299,262	81,700
Accrued employee benefits	40,586	5,684	(4,464)	41,806	4,598
Estimated claims payable	68,871	14,158	(7,470)	75,559	8,332
Liability for environmental/ hazardous materials cleanup	12,783	--	--	12,783	--
Net pension obligation	9,062	--	(9,062)	--	--
Net pension liability	--	566,613	--	566,613	
Other long-term liabilities	886	--	--	886	--
Total long-term liabilities	$ 4,114,999	$ 1,175,427	$ (293,517)	$ 4,996,909	$ 94,630

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

	Balance at July 1, 2013	Additions	Reduction	Balance at June 30, 2014	Current Portion
Revenue bonds	$ 3,684,010	$ 241,860	$ (53,220)	$ 3,872,650	$ 72,390
Add unamortized premium	112,779	11,394	(6,283)	117,890	--
Less unamortized discount	(8,053)	--	324	(7,729)	--
Net revenue bonds	3,788,736	253,254	(59,179)	3,982,811	72,390
Accrued employee benefits	39,043	5,838	(4,295)	40,586	4,464
Estimated claims payable	67,665	7,470	(6,264)	68,871	7,470
Unearned revenue	9,536	--	(9,536)	--	--
Liability for environmental/ hazardous materials cleanup	12,783	--	--	12,783	--
Net pension obligation	9,462	--	(400)	9,062	--
Other long-term liabilities	3,791	--	(2,905)	886	--
Total long-term liabilities	$ 3,931,016	$ 266,562	$ (82,579)	$ 4,114,999	$ 84,324

8. Leases and Agreements

a. Operating Leases and Agreements As Lessor

LAX 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, 2015 and 2014, revenues from such agreements were approximately $257.2 million and $241.5 million, respectively. The respective amounts over MAG were $56.1 million and $64.3 million.

Minimum future rents or payments under these agreements over the next five years, assuming that current agreements are carried to contractual termination, are as follows (amounts in thousands):

Fiscal year ending	Amount
2016	$ 189,455
2017	186,960
2018	155,570
2019	36,039
2020	36,039
Total	$ 604,063

The increase in minimum future rents was mainly due to the higher MAG and extension of the term of agreement for most concessionaires in fiscal year 2015. This includes MAG of $83.1 million for Duty Free Service Group, $42.5 million for JC Decaux and $36.7 million for Hertz Corporation from fiscal years 2016 to 2020.

On March 1, 2012, LAWA and Westfield Concession Management, LLC (Westfield) entered into a Terminal Commercial Management Concession Agreement (3-1-12 Agreement) for Westfield to develop, lease, and manage retail, food and beverage and certain passenger services in specified locations at the Tom Bradley International Terminal (TBIT) and Terminal 2 for a term of 17 years consisting of two-year development period and fifteen-year operational period. Since then, the Terminal 2 portion has been amended with an expiration date no later than July 31, 2029, and the TBIT portion has been amended with an expiration date no later than January 31, 2032. 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, 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 2.5% for any year, or (b) 85% of the prior year's Percentage Rent (as defined) paid to LAX beginning January 1, 2014.

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. 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, 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 2.5% for any year, or (b) 85% of the prior year's Percentage Rent (as defined) paid to LAX. 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 beginning January 1, 2014.

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
2016	$ 35,314
2017	36,197
2018	37,102
2019	38,030
2020	38,980
Total	$ 185,623

LAX also leases land and terminal facilities to certain airlines and others. The terms of these long-term leases range from less than 10 years to 40 years and generally expire between 2017 and 2025. Certain airlines and consortium of airlines 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, 2015 and 2014, revenues from these leases were $455.8 million and $402.3 million, respectively.

Future rents under these land and terminal lease agreements over the next five years were based on the assumption that current agreements are carried to contractual termination. The future rents are as follows (amounts in thousands):

Fiscal year ending	Amount
2016	$ 457,880
2017	453,077
2018	439,270
2019	417,477
2020	396,614
Total	$ 2,164,318

The carrying cost and the related accumulated depreciation of property held for operating leases as of June 30, 2015 and 2014 are as follows (amounts in thousands):

	2015	2014
Buildings and facilities	$ 3,270,702	$ 3,133,865
Less- Accumulated depreciation	(510,978)	(522,955)
Net	2,759,724	2,610,910
Land	555,997	555,997
Total	$ 3,315,721	$ 3,166,907

b. Lease Obligations

LAX leases office spaces under operating lease agreements that expire through 2032. Lease payments for the fiscal years ended June 30, 2015 and 2014 were $6.3 million and $6.0 million, respectively. Future minimum lease payments under the agreements are as follows (amounts in thousands):

Fiscal year(s) ending	Amount
2016	$ 6,044
2017	6,038
2018	6,038
2019	6,038
2020	4,907
2021 - 2025	16,625
2026 - 2030	10,915
2031 - 2032	3,586
Total	$ 60,191

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

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 have been collecting PFCs on behalf of LAX. PFCs are recorded as non-operating revenue and presented as restricted assets in the financial statements. LAX has received approvals from FAA to impose PFCs for various projects. The current PFCs is $4.50 per enplaned passenger.

As previously discussed, LAX has received approval from the FAA to collect and use PFCs to pay for debt service on bonds issued to finance the Tom Bradley International Terminal Renovations and Bradley West Projects. Board authorized amounts of $91.0 million and $96.5 million were used for debt service in fiscal years 2015 and 2014, respectively.

The following project summary has been approved by FAA as of June 30, 2015 (amounts in thousands):

Terminal development	$ 2,148,395
Noise mitigation	863,745
Airfield development and equipment	83,620
Total	$ 3,095,760

PFCs collected and the related interest earnings through June 30, 2015 and 2014 were as follows (amounts in thousands):

	2015	2014
Amount collected	$ 1,965,334	$ 1,827,480
Interest earnings	197,226	189,565
Total	$ 2,162,560	$ 2,017,045

As of June 30, 2015 and 2014, cumulative expenditures to date on approved PFCs projects totaled $1.6 billion and $1.3 billion, respectively.

10. Customer Facility Charges

In November 2001, the Board approved the collection of a state-authorized Customer Facility Charges (CFCs) from car rental agencies serving LAX. State law allows airports to collect a fee of $10 per on-airport rental car agency transaction to fund the development of consolidated car rental facility and common-use transportation system. CFCs are recorded as non-operating revenue and presented as restricted assets in the financial statements. CFCs collected and the related interest earnings through June 30, 2015 and 2014 were as follows (amounts in thousands):

	2015	2014
Amount collected	$ 202,128	$ 172,781
Interest earnings	11,789	9,660
Total	$ 213,917	$ 182,441

As of June 30, 2015 and 2014, cumulative expenditures to date on approved CFCs projects totaled $3.0 million.

11. Capital Grant Contributions

Contributed capital related to government grants and other aid totaled $31.0 million and $24.7 million in fiscal years 2015 and 2014, respectively. Capital grant funds are primarily provided by the FAA Airport Improvement Program and Transportation Security Administration.

12. Related Party Transactions

The City provides services to LAX such as construction and building inspection, fire and paramedic, police, water and power, and certain administrative services. The costs for these services for the fiscal years ended June 30, 2015 and 2014 were $89.7 million and $89.1 million.

LAX collects parking taxes on behalf of the City's General Fund. The parking taxes collected and remitted during each of fiscal years 2015 and 2014 were $8.8 million and $7.9 million, respectively.

LAX shares certain administrative functions with ONT, VNY, and PMD including, but not limited to, legal, human services, and financial services. Also, beginning fiscal year 2011, LAX pays VNY annual rent for the use of the land where the Flyaway Terminal resides. The rent is adjusted every July 1 of each year based on the consumer price index. The adjusted rent for fiscal years 2015 and 2014 was $1.10 million and $1.08 million, respectively. The details are as follows (amounts in thousands):

	FY 2015	FY 2014
Allocated administrative costs		
ONT	$ 6,932	$ 7,160
VNY	1,747	1,832
PMD	348	386
Total	9,027	9,378
Land rental	(1,103)	(1,083)
Net	$ 7,924	$ 8,295

In December 2009, two cases were settled that related to FAA's audit findings of improper payments by LAX to the City General Fund. The cases involved compliance review by FAA of the transfer of LAX 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 LAX totaling $17.7 million plus 3.0% interest for a total of $21.3 million. The installment payments will be offset against billings for actual cost of services provided by the City General Fund to LAX. At June 30, 2015 and 2014, the respective outstanding principal amount of $8.5 million and $11.2 million payable beyond one year were reported under other noncurrent assets while the balance of $2.7 million and $2.6 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 single employer plan of the City.

Pension and other postemployment benefits are established pursuant to the City ordinance. The City Council may, by an ordinance adopted pursuant to specific requirements (approved by not less than 2/3 of the City Council, subject to the veto of the Mayor and override by City Council by 3/4 of City Council), modify or add to the benefits set forth in the Los Angeles Administrative Code or change conditions of entitlement. However, the City Council may not increase or modify benefits if doing so would violate limitations imposed by federal or state law. As a further condition to the final adoption of benefit modifications, it shall be required that the City Council be advised in writing by an enrolled actuary as to the cost of benefit increases.

i) Pension Plan

LACERS provides service retirement, disability, death and survivor benefits to eligible employees. Employees of the City become members of LACERS on the first day of employment in a position with the City in which the employee is not excluded from membership. Members employed prior to July 1, 2013 are designated as Tier 1 and those employed on or after July 1, 2013 are designated as Tier 2 (unless a specific exemption applies to the employee, providing a right to Tier 1 status). Membership to Tier 1 is now closed to new entrants.

Tier 1 members are eligible for normal service retirement benefits once they attain the age of 70, or the age of 60 with 10 or more years of continuous service, or the age of 55 with 30 or more years of service. Tier 2 members are eligible for normal service retirement benefits once they attain the age of 70, or the age of 65 with 10 or more years of continuous service.

Tier 1 members are eligible for disability retirement once they have 5 or more years of continuous service. Tier 2 members are eligible for disability retirement once they have 10 or more years of continuous service.

Under the Tier 1 formula, the monthly service retirement allowance at normal retirement age is 2.16% of final average monthly compensation per year of service credit. Reduced retirement allowances are available for early retirement for Tier 1 members reaching age 55 with 10 or more years of continuous service, or at any age with 30 or more years of service.

Under the Tier 2 formula, the monthly service retirement allowance at normal retirement age is 2.00% of final average monthly compensation per year of service credit. Reduced retirement allowances are available for early retirement for Tier 2 members reaching age 55 with 10 or more years of continuous service.

Under Tier 1, pension benefits are calculated based on the highest average salary earned during a 12-month period (including base salary plus regularly assigned bonuses or premium pay). Under Tier 2, pension benefits are calculated based on the highest average salary earned during a 36-month period (limited to base pay).

For Tier 1 members, the maximum monthly retirement allowance is 100% of the final average monthly compensation. For Tier 2 members, the maximum monthly retirement allowance is 75% of the final average monthly compensation.

In lieu of the service retirement allowance under the Tier 1 or Tier 2 formula ("unmodified option"), the member may choose an optional retirement allowance. The unmodified option provides the highest monthly benefit and a 50% continuance to an eligible surviving spouse or domestic partner for Tier 1 members (no continuance is provided to beneficiaries of Tier 2 members under the unmodified option). The optional retirement allowances require a reduction in the unmodified option amount in order to allow the member the ability to provide various benefits to a surviving spouse, domestic partner, or named beneficiary.

LACERS provides annual cost-of-living adjustments (COLAs) to all retirees. The cost-of-living adjustments are made each July 1 based on the percentage change in the average of the Consumer Price Index for the Los Angeles-Riverside-Orange County Area--All Items For All Urban Consumers. It is capped at 3.0% for Tier 1 and 2.0% for Tier 2. Tier 2 members may purchase additional 1% COLA protection at full actuarial cost.

The City contributes to the retirement plan based upon actuarially determined contribution rates adopted by the Board of Administration. Employer contribution rates are adopted annually based upon recommendations received from LACERS' actuary after the completion of the annual actuarial valuation. The average employer contribution rates were 20.77% and 19.84% of compensation[4] as of June 30, 2015 and June 30, 2014, respectively.

All members are required to make contributions to LACERS regardless of the tier in which they are included. Currently, most Tier 1 members contribute at 11% of compensation and all Tier 2 members contribute at 10% of compensation.

Funding Policy for the Pension Plan

The City makes contributions equal to the normal cost adjusted by an amount to amortize any surplus or unfunded actuarial accrued liability (UAAL). Both the normal cost and the actuarial accrued liability are determined under the Entry Age cost method and are calculated on an individual basis. Entry age is calculated as age on the valuation date minus years of service.

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[4] *After adjustments to phase in over five years the impact of new actuarial assumptions (as a result of the June 30, 2011 Triennial Experience Study) on the City's contributions.*

Under the current funding policy, changes in the UAAL due to actuarial gains/losses are amortized over separate 15 year periods. Any changes in the UAAL due to assumption or method changes are amortized over separate 20 year periods. Plan changes, including the 2009 ERIP, are amortized over separate 15 year periods. Future Early Retirement Incentive Program (ERIP) will be amortized over 5 years. Any actuarial surplus is amortized over 30 years. All the bases on or before June 30, 2012, except those arising from the 2009 ERIP and the two GASB Statements No. 25[5] and 27[6], were combined and amortized over 30 years effective June 30, 2012.

The recommended contribution is set equal to the greater of the current funding policy or the minimum Annual Required Contribution (ARC) as determined by the then current GASB Statements No. 25 and 27. In particular, an additional contribution due to the application of the 40-year minimum amortization requirement for both fiscal years 2004 and 2005 is included in the calculation of the recommended contribution.

LAX's Contributions to the Pension Plan

LAX's contributions to the Pension Plan for the year ended June 30 (amounts in thousands):

	2015	2014
LAX's required contributions to the Pension Plan	$ 49,043	$ 45,460

The LAX contributions made for the Pension Plan under the required contribution category in the amount of $49.0 million and $45.5 million for fiscal year 2015 and 2014, respectively, were equal to 100% of the actuarially determined contribution of the employer.

ii) Other Postemployment Benefit Healthcare Plan (OPEB)

LACERS provides postemployment health care benefits to eligible retirees of OPEB, and, if the member retires under Tier 1 membership, to their spouses/domestic partners as well. Prior to the retirement effective date of July 1, 2011, the benefits of this single employer postemployment benefit health care plan were available to all employees who 1) participate in the Pension Plan; 2) have at least 10 years of service with LACERS; and 3) enrolled in a system-sponsored medical or dental plan or are a participant in the Medical Premium Reimbursement Program (MPRP). The retiree or Tier 1 surviving spouse/domestic partner can choose from the health plans that are available, which include medical, vision, and dental benefits, or participate in the MPRP if he/she resides in an area not covered by the available medical plans. The retiree or Tier 1 surviving spouse/domestic partner receives medical subsidies based on service years. The dental subsidies are provided to the retirees only, based on years of service. The maximum subsidies are set annually by the LACERS Board of Administration.

[5] *GASB Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, issued in November 1994, was amended by GASB Statement No. 67, Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25, issued in June 2012.*

[6] *GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, issued in November 1994, was amended by GASB Statement No. 68, Accounting and Financial Reporting for Pension – an amendment of GASB Statement No. 27, issued in June 2012.*

During the 2011 fiscal year, the City adopted an ordinance (Freeze Ordinance) to freeze the maximum medical subsidy at $1,190 for those members who retire on or after July 1, 2011. However, members who at any time prior to retirement contribute the additional 2% or 4% of pay pursuant to specific ordinances are exempted from the freeze and obtain a vested right to future increases in the maximum medical subsidy at an amount not less than the dollar increase in the Kaiser two-party non-Medicare Part A and Part B premium. Postemployment health care benefits for the Tier 2 members differ from those for the Tier 1 members in their annual subsidy accrual after 10 years of service; Tier 1 earns 4% per year while Tier 2 earns 3% per year. As mentioned above, spouses/domestic partners of Tier 2 members are not entitled to OPEB.

Funding Policy for OPEB

The City Charter requires periodic employer contributions at actuarially-determined rates that, expressed as percentages of annual covered payroll together with certain fixed amounts, are sufficient to accumulate the required assets to pay benefits when due.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, investment returns, and the health care cost trends. The funded status of the plan and the annual required contributions of the employer, determined by the annual actuarial valuations, are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

LAX's Contributions to OPEB

LAX's contributions to OPEB for the year ended June 30 (amounts in thousands):

	2015	2014
LAX's required contributions to OPEB	$ 13,043	$ 12,436

LAX's contributions made for OPEB, in the amount of $13.0 million and $12.4 million for fiscal year 2015 and 2014, respectively, represents 100% of the Annual Required Contribution (ARC) as defined by GASB Statements No. 43[7] and No. 45[8].

[7] *GASB Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, issued in April 2004.*

[8] *GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension, issued in June 2004.*

b. Net Pension Liability, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions for Fiscal Year 2015

As of the reporting date June 30, 2015 (measurement date of June 30, 2014), LAX reported its proportionate shares of Net Pension Liability (NPL)[9] as follows (amounts in thousands):

	Reporting date 6/30/15 Measurement date 6/30/14 FY 2015
LAX's proportionate share of NPL	$ 566,613

LAX's NPL was measured as the proportionate share of the NPL based on the employer contributions made by LAX during fiscal year 2014. The NPL was measured as of June 30, 2014 and determined based upon the Pension Plan's Fiduciary Net Position (plan assets) and Total Pension Liability from actuarial valuations as of June 30, 2014.

LAX's proportionate share of the NPL as of June 30, 2015 (measurement date June 30, 2014) and 2014 (measurement date June 30, 2013) was as follows (amounts in thousands):

	NPL	Proportion (%)
Proportion - Reporting date June 30, 2015 (measurement date June 30, 2014)	$ 566,613	12.711%
Proportion - Reporting date June 30, 2014 (measurement date June 30, 2013)	$ 622,416	13.167%
Change - Decrease	$ (55,803)	(0.456%)

[9] *The NPL data for prior year, fiscal year 2014, was not restated because all of the information available to restate prior year amounts was not readily available.*

For the year ended June 30, 2015, LAX recognized pension expense of $45.7 million. At June 30, 2015, LAX reported deferred outflows of resources and deferred inflows of resources related to pensions from the following resources (amounts in thousands):

	Deferred outflows of resources	Deferred inflows of resources
Pension contributions subsequent to measurement date	$ 49,043	$ --
Differences between expected and actual experience	--	16,914
Changes of assumptions	82,071	--
Net difference between projected and actual earnings on pension plan investments	--	103,501
Differences arising from changes proportion and differences between employer contributions and proportionate share of contributions	--	17,723
Total	$ 131,114	$ 138,138

$49.0 million reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the NPL in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows (amounts in thousands):

Fiscal year ending	Amount
2016	$ (15,608)
2017	(15,608)
2018	(15,608)
2019	(15,608)
2020	6,365

c. Actuarial Assumptions for the June 30, 2014 Measurement Date for Fiscal Year 2015

The total pension liability as of June 30, 2014 was measured by an actuarial valuation as of June 30, 2014 using the following actuarial assumptions[10], applied to all periods included in the measurement:

Inflation:	3.25%
Discount rate:	7.50%
Salary increases:	Ranges from 4.40% to 10.50% based on years of service, including inflation
Investment rate of return:	7.50%, net of pension plan investment expense, including inflation
Post-Retirement Mortality Rates:	
Healthy Members and all Beneficiaries:	RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020, set back one year for males and with no setback for females.
Disabled Members:	RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020, set forward seven years for males and set forward eight years for females.
Termination Rates before Retirement:	
Pre-Retirement Mortality:	RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020, set back one year for males and with no setback for females.
Retirement Age and Benefit for Inactive Vested Participants:	Pension benefit paid at the later of age 58 or the current attained age. For reciprocals, 4.40% compensation increases per annum.
Exclusion of Inactive Members:	All inactive participants are included in the valuation.
Definition of Active Members:	First day of biweekly payroll following employment for new department employees or immediately following transfer from other city department.
Unknown Data for Members:	Same as those exhibited by members with similar known characteristics. If not specified, members are assumed to be male.
Percent Married/Domestic Partner:	76% of male participants; 50% of female participants.
Age of Spouse:	Male retirees are assumed to be 4 years older than their female spouses. Female retirees are assumed to be 2 years younger than their male spouses.
Service:	Employment service is used for eligibility determination purposes. Benefit service is used for benefit calculation purposes.
Future Benefit Accruals:	1.0 year of service per year.
Other Reciprocal Service:	5% of future inactive vested members will work at a reciprocal system.
Consumer Price Index:	Increase of 3.25% per year; benefit increases due to CPI subject to 3.00% maximum for Tier 1 and 2.00% maximum for Tier 2.
Employee Contribution Crediting Rate:	Based on average of 5-year Treasury note rate. An assumption of 3.25% is used to approximate that crediting rate in this valuation.
Actuarial Cost Method:	Entry Age Cost Method.

[10] *The actuarial assumptions used in this June 30, 2014 valuation were based on the results of an experience study for the period from July 1, 2011 through June 30, 2014. They are the same as the assumptions used in the June 30, 2014 funding actuarial valuation for LACERS.*

d. Discount Rate for Fiscal Year 2015

The discount rate used to measure the total pension liability was 7.50% as of June 30, 2014. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employee and employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of both June 30, 2014 and June 30, 2013.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation, and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

Asset Class	Target Allocation	Long-Term (Arithmetic) Expected Real Rate of Return
U.S. Large Cap Equity	20.40%	5.94%
U.S. Small Cap Equity	3.60%	6.64%
Developed	21.75%	6.98%
Emerging Market	7.25%	8.48%
Core Bonds	16.53%	0.71%
High Yield Bonds	2.47%	2.89%
Private Real Estate	5.00%	4.69%
Cash	1.00%	-0.46%
Credit Opportunities	5.00%	3.07%
Public Real Assets	5.00%	3.41%
Private Equity	12.00%	10.51%
Total	100.00%	

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents LAX's proportionate share of the NPL as of June 30, 2014, calculated using the discount rate of 7.50%, as well as what LAX's proportionate share of NPL would be if it were calculated using a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate (amounts in thousands):

	LAX
1% decrease	6.50%
Net Pension Liability	$845,900
Current discount rate	7.50%
Net Pension Liability	$566,613
1% increase	8.50%
Net Pension Liability	$334,512

Pension Plan Fiduciary Net Position

The Pension Plan's fiduciary net position has been determined on the same basis used by the Pension Plan and the plans basis of accounting, including policies with respect to benefit payments and valuation of investments. Detailed information about LACERS' net position is available in the separately issued LACERS' financial reports, which can be found on the LACERS website.

e. Payable to the Pension Plan for Fiscal Year 2015

At June 30, 2015, LAX did not have any payable to be reported for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

f. Funding Policy for Fiscal Year 2014

The City's annual costs for the plans are calculated based on the annual required contribution of the employer, an amount actuarially determined in accordance with the parameters of the applicable GASB statements. The actuarially determined contribution rates as a percentage of covered payroll were 25.33% and 18.32% for Tier 1 and Tier 2 members respectively, in fiscal year 2014. The required contribution rates were based on the June 30, 2012 actuarial valuations. LAX paid 100% of its annual contributions of $45.5 million for the fiscal year ended June 30, 2014.

g. Net Pension Obligation for Fiscal Year 2014

The City allocated a portion of its net pension obligation (NPO) to LAX based upon its percentage of payroll benefit costs for all City employees. The allocated NPO at June 30, 2014 was $9.0 million.

14. Risk Management

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

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

Additionally, LAX maintains catastrophic loss fund for claims or losses that may exceed insurance policy limits or where insurance is not available or viable. 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 2015, 2014, and 2013, no claims were in excess of LAX's insurance coverage.

A number of lawsuits were pending against LAX that arose in the normal course of its operations. LAX recognizes a liability for claims and judgments when it is probable that an asset has been impaired or a liability has been incurred and the amount of the loss can be reasonably estimated. The City Attorney provides estimates for the amount of liabilities with a probability of occurring from these lawsuits. The liability for litigation and other claims at June 30, 2015 and 2014 was $11.7 million.

LAX 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 LAX. 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. LAX's accrued workers' compensation liability at June 30, 2015 and 2014 was $63.9 million and $57.2 million, respectively.

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

	June 30		
	2015	2014	2013
Balance at beginning of year	$ 68,871	$ 67,665	$ 65,334
Provision for current year's events and changes in provision for prior years' events	14,158	7,470	8,185
Claims payments	(7,470)	(6,264)	(5,854)
Balance at end of year	$ 75,559	$ 68,871	$ 67,665
Current portion	$ 8,332	$ 7,470	$ 6,264

15. Commitments, Litigations, and Contingencies

a. Commitments

Commitments for acquisition and construction of capital assets, and purchase of materials and supplies were $127.7 million and $146.8 million as of June 30, 2015 and 2014, respectively. Significant amounts were committed for terminals and facilities, airfield and runways, and noise mitigation program.

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 required LAWA to prepare a Specific Plan Amendment Study (SPAS) to address, among other things, security, traffic, aviation activity, and corresponding environmental analysis consistent with the California Environmental Quality Act (CEQA).

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

On April 30, 2013, the City Council certified the LAX SPAS EIR and selected the Staff-Recommend Alternative, subject to the same provisions set forth above. On May 30, 2013, the Alliance for a Regional Solution to Airport Congestion, the City of Inglewood, the City of Culver City, the City of Ontario, the County of San Bernardino, and SEIU United Service Workers West (Petitioners) filed three separate petitions for writ of mandate in the Los Angeles Superior Court against the City alleging that the SPAS final environmental impact report (SPAS Final EIR) was not completed in compliance with CEQA and requested, among other things, the Court to set aside all approvals based upon the SPAS Final EIR. The three cases were deemed related on June 24, 2013, and consolidated on September 18, 2013. On February 28, 2014, they were transferred to the Ventura County Superior Court. Certification of the administrative record was completed on June 12, 2015. Petitioners' opening briefs were filed on July 31, 2015. Respondents' opposition briefs were filed on September 30, 2015. Petitioners' reply briefs are due November 12, 2015. The trial on the merits is currently scheduled for January 11-13, 2016.

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. LAX 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 LAX.

d. Environmental Issues

LAX 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, LAX assumes the ultimate responsibility for cleanup in the event the tenant is unable to make restitution. Under certain applicable laws, LAX 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. LAX accrues pollution remediation liabilities when costs are incurred or amounts can be reasonably estimated based on expected outlays. The liability accrued at June 30, 2015 and 2014 was $12.8 million. LAX 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 six USTs at LAX. 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 Board approved a consent judgment settlement with the SWRCB in October 2015 with a total civil penalty amount of $2.3 million to be paid or suspended on condition that LAWA complies with the terms of the consent judgment.

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 LAX 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, Inc. ("American") filed a complaint in Federal District Court alleging that LAWA had imposed new maintenance and operation charges in violation of its lease at LAX. In 2008, LAWA and American entered into an interim settlement agreement (the "ISA") and pursuant to the ISA, the parties filed a joint stipulation for dismissal of the litigation without prejudice to renew litigation. In January 2014, American and LAWA entered into a settlement agreement ("Final Settlement") which settled, among other things, the maintenance and operation charges in the lease. Under the Final Settlement, LAWA and American agreed that the dismissal filed in 2008 was deemed to be a dismissal with prejudice; American paid $14.0 million in compromise and settlement of all disputes regarding the maintenance and operation charges for the period from January 2011 through December 2013; and LAWA paid for the purchase of certain pavement and terminal improvements, busing credit related to the employee parking lot, and Terminal 4 connector design plans.

16. Other Matter

City Financial Challenges

Based on the most recent General Fund Budget Outlook prepared by the City Administrative Officer (CAO) in connection with the fiscal year 2016 adopted budget, the City would face a budget gap of $90.0 million in fiscal year 2017 and $51.0 million in fiscal year 2018 without corrective action. Based on the assumptions of the Budget Outlook, this deficit would be eliminated by fiscal year 2019. The City generally accomplishes such balancing through a combination of revenue increases, expenditure reductions and transfer from reserves.

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 LAX'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 LAX's outstanding and future bond issues.

17. Subsequent Events

a. Runway 6R-24L Safety Area Improvement Project

On July 16, 2015, the Board awarded a $45.5 million contract to Griffith/Coffman JV for the Runway 6R-24L Safety Area Improvement Project at LAX in order to bring the runway into compliance with the FAA mandated passenger safety standards. The Runway 6R-24L Safety Area Improvement and Taxiway portions of the project are eligible for 75% reimbursement from the FAA under an Airport Improvement Program (AIP) grant. All non-federally funded project costs will be recovered from airfield users through terminal rates and charges.

b. Revenue Bonds Issuance

On October 15, 2015, the Board authorized the issuance of the Series 2015D and 2015E LAX revenue bonds in an aggregate par amount not to exceed $350.0 million. The proceeds of the issuance will be used to provide ongoing funding for various capital projects at LAX.

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2015 ANNUAL FINANCIAL REPORT

Required Supplementary Information

Required Supplementary Information

Los Angeles World Airports
(Department of Airports of the City of Los Angeles)
Los Angeles International Airport

Required Supplementary Information
Last Ten Fiscal Years Ended June 30*
(amounts in thousands)

Schedule of LAX's Proportionate Share of the Net Pension Liability

	2015
LAX's Proportion of the Net Pension Liability	12.71%
LAX's Proportionate share of the Net Pension Liability	$ 566,613
LAX's Covered-employee payroll [(1)]	$ 229,535
LAX's Proportionate share of the Net Pension Liability as a percentage of its covered-employee payroll	246.85%
LAX's Proportionate share of Pension Plan's Fiduciary Net Position	$ 1,498,732
LAX's Proportionate share of Pension Plan's Total Pension Liability	$ 2,065,347
Pension Plan's Fiduciary Net Position as a percentage of the Total Pension Liability	72.57%

Notes to schedule:

(1) Covered-employee payroll represents the collective total of the LACERS eligible wages of all LACERS membership tiers. Non-pensionable wages was not included because the information was not readily available.

(2) Changes of assumptions:
The June 30, 2014 calculations reflected various assumptions changes based on the triennial experience study for the period from July 1, 2011 through June 30, 2014. The increase of the Pension Plan's Total Pension Liability is primarily due to the lowered assumed investment rate of return, from 7.75% in fiscal year 2013 to 7.50% in fiscal year 2014, and longer assumed life expectancies for members and beneficiaries.

* Since fiscal year 2015 was the first year of implementation, only one year is shown.

Required Supplementary Information
Last Ten Fiscal Years Ended June 30*
(amounts in thousands)

Schedule of Contributions

		2015
Contractually required contribution (actuarially determined)	$	49,043
Contributions in relation to the actuarially determined contributions		49,043
Contribution deficiency (excess)	$	--
LAX's covered-employee payroll [1]	$	229,535
LAX's Contributions as a percentage of covered-employee payroll		21.37%

Notes to schedule:

(1) Covered-employee payroll represents the collective total of the LACERS eligible wages of all LACERS membership tiers. Non-pensionable wages was not included because the information was not readily available.

* Since fiscal year 2015 was the first year of implementation, only one year is shown.

Required Supplementary Information
Last Ten Fiscal Years Ended June 30*
(amounts in thousands)

Notes to schedule:

Valuation date:	Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported.
Methods and assumptions used to determine contribution rates	
Actuarial cost method	Entry age actuarial cost method, level percent of salary.
Amortization method	Level percent of payroll - assuming a 4.0% increase in total covered payroll.
Amortization period	Multiple layers - closed amortization period. Actuarial gains/losses are amortized over 15 years. Assumption or method changes are amortized over 20 years. Plan changes, including the 2009 ERIP, are amortized over 15 years. Future ERIPs will be amortized over five years. Actuarial surplus is amortized over 30 years. The existing layers on June 30, 2012, except those arising from the 2009 ERIP and the two GASB 25/27 layers, were combined and amortized over 30 years.
Asset Valuation Method	Market valuse of assets less unrecognized returns in each of the last seven years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a seven-year period. The actuarial value of assets cannot be less than 60% or great than 140% of the market value of assets. An ad hoc change was made in 2014 to combine the unrecognized returns and losses of prior years as of June 30, 2013 into one layer and recognize it evenly over six years from fiscal year 2013-14 through fiscal year 2018-19.

* Since fiscal year 2015 was the first year of implementation, only one year is shown.

Required Supplementary Information
Last Ten Fiscal Years Ended June 30*
(amounts in thousands)

Notes to schedule (continued):

	June 30, 2013
Investment rate of return	7.75%
Inflation rate	3.50%
Real across-the-board salary increase	0.75%
Projected salary increases (1)	Ranges from 11.25% to 6.50% for members with less than five years of service, and from 6.50% to 4.65% for members with five or more years of service.
Cost of living adjustment (2)	Tier 1: 3.00% Tier 2: 2.00%
Mortality	Healthy: RP-2000 Combined Healthy Mortality Table, set back two years for males and set back one year for females.

(1) Includes inflation at 3.50% as of June 30, 2013 plus across-the-board salary increases of 0.75% plus merit and promotional increases.

(2) Actual increases are contingent upon CPI increases with a 3.00% maximum for Tier 1 and a 2.00% maximum for Tier 2.

* Since fiscal year 2015 was the first year of implementation, only one year is shown.

2015 ANNUAL FINANCIAL REPORT

Compliance Section

Compliance Section Contents

- 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
- Notes to the 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
- Notes to the Schedule of Customer Facility Charge Revenues and Expenditures

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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 International Airport (LAX), a department component of Los Angeles World Airports (Department of Airports of the City of Los Angeles, California) (LAWA), an Enterprise Fund of the City of Los Angeles, with compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* (Guide), issued by the Federal Aviation Administration, applicable to its passenger facility charge program for the fiscal year ended June 30, 2015.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on LAX'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 LAX'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 LAX's compliance with those requirements.

Opinion

In our opinion, LAX 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, 2015.

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 LAX 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 LAX'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 LAX's internal control over compliance.

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

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

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

Macias Gini & O'Connell LLP

Los Angeles, California
November 5, 2015

Los Angeles World Airports
(Department of Airports of the City of Los Angeles)
Los Angeles International Airport

Schedule of Passenger Facility Charge Revenues and Expenditures
For the Fiscal Years Ended June 30, 2015 and 2014
(amounts in thousands)

	Passenger facility charge revenue	Interest earned	Total revenues	Expenditures on approved projects	Under (over) expenditures on approved projects
Program to date as of June 30, 2013	$ 1,694,671	$ 178,934	$ 1,873,605	$ 1,142,696	$ 730,909
Fiscal year 2013-14 transactions					
Quarter ended September 30, 2013	30,963	2,331	33,294	695	32,599
Quarter ended December 31, 2013	27,943	2,804	30,747	50,989	(20,242)
Quarter ended March 31, 2014	37,419	2,791	40,210	8,165	32,045
Quarter ended June 30, 2014	36,484	2,705	39,189	109,231	(70,042)
Program to date as of June 30, 2014	1,827,480	189,565	2,017,045	1,311,776	705,269
Fiscal year 2014-15 transactions					
Quarter ended September 30, 2014	31,368	2,123	33,491	25,456	8,035
Quarter ended December 31, 2014	29,618	1,954	31,572	25,025	6,547
Quarter ended March 31, 2015	37,759	1,996	39,755	21,181	18,574
Quarter ended June 30, 2015	39,109	1,588	40,697	254,837	(214,140)
Unexpended passenger facility charge revenues and interest earned June 30, 2015	$ 1,965,334	$ 197,226	$ 2,162,560	$ 1,638,275	$ 524,285

Note: LAX changed the basis of presentation of this schedule from cash basis to accrual basis in fiscal year 2015. The prior year amounts were adjusted to reflect this change.

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

Notes to the Schedule of Passenger Facility Charge Revenues and Expenditures
For the Fiscal Years Ended June 30, 2015 and 2014

1. General

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

The current PFC rate is $4.50 per enplaned passenger. The PFCs collection authority approved to date by FAA is $3.1 billion. 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	27,801
13-09-C-00-LAX	06/01/19	06/01/19	44,379
14-10-C-00-LAX	10/01/19	10/01/19	516,091
15-11-U-00-LAX	03/01/19	03/01/19	3,115
Subtotal- LAX			$ 3,095,760

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

In April 2008, FAA approved LAWA’s amendment request that increased application number 05-05-C-01-LAX to $468.0 million to pay for debt service on bonds issued to finance the Tom Bradley International Terminal Renovations and Bradley West Project. The amounts used for this purpose were $91.0 million and $96.5 million in fiscal years 2015 and 2014, 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 2015	Expenditures to date June 30 2014
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	266,034	175,078
Implementation of IT Security Master Plan	56,573	33,463	33,448
Noise Mitigation - Land Acquisitions	485,000	350,530	349,829
Noise Mitigation - Soundproofing	125,000	125,000	125,000
Noise Mitigation - Other Local Jurisdictions	90,000	90,000	90,000
Residential Soundproofing Phase II	35,000	33,756	33,201
Noise Mitigation - Other Local Jurisdictions Phase II	50,000	51,086	47,252
Bradley West	855,000	180,000	180,000
Lennox Schools Soundproofing Program	30,916	15,294	11,215
Inglewood USD Soundproofing Program	44,379	--	--
Terminal 6 Improvements	210,131	--	--
Elevators/Escalators/Moving Walkways Replacement	110,000	30,400	--
Midfield Satelite Concourse North Project	5,960	5,960	--
Central Utility Plant Replacement	190,000	190,000	--
Total	$ 3,095,760	$ 1,638,276	$ 1,311,776

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 accrual basis of accounting.

3. Excess Project Expenditures

The expenditures for Aircraft Noise Monitoring and Management System project were in excess of the authorized amount. 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.

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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 International Airport (LAX), a department component of Los Angeles World Airports (Department of Airports of the City of Los Angeles, California) (LAWA), an Enterprise Fund of the City of Los Angeles, with compliance requirements described in the *California Civil Code Section 1936, as amended by Senate Bill (SB) 1192 and Assembly Bill (AB) 359*, applicable to its customer facility charge program for the fiscal year ended June 30, 2015.

Management's Responsibility

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

Auditor's Responsibility

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *California Civil Code Section 1936, as amended by SB 1192 and AB 359*. Those standards and the *California Civil Code Section 1936, as amended by SB 1192 and AB 359*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the customer facility charge program occurred. An audit includes examining, on a test basis, evidence about LAX'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 LAX's compliance with those requirements.

Opinion

In our opinion, LAX 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, 2015.

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 LAX 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 LAX'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 LAX's internal control over compliance.

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

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

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

Macias Gini & O'Connell LLP

Los Angeles, California
November 5, 2015

Los Angeles World Airports
(Department of Airports of the City of Los Angeles)
Los Angeles International Airport

Schedule of Customer Facility Charge Revenues and Expenditures
For the Fiscal Years Ended June 30, 2015 and 2014
(amounts in thousands)

	Customer facility charge revenue	Interest earned	Total revenues	Expenditures on approved projects	Over revenues collected on approved projects
Program to date as of June 30, 2013	$ 144,106	$ 7,997	$ 152,103	$ 3,026	$ 149,077
Fiscal year 2013-14 transactions					
Quarter ended September 30, 2013	7,663	393	8,056	--	8,056
Quarter ended December 31, 2013	6,754	445	7,199	--	7,199
Quarter ended March 31, 2014	6,366	397	6,763	--	6,763
Quarter ended June 30, 2014	7,892	428	8,320	--	8,320
Program to date as of June 30, 2014	172,781	9,660	182,441	3,026	179,415
Fiscal year 2014-15 transactions					
Quarter ended September 30, 2014	7,891	535	8,426	--	8,426
Quarter ended December 31, 2014	6,791	542	7,333	--	7,333
Quarter ended March 31, 2015	6,607	560	7,167	--	7,167
Quarter ended June 30, 2015	8,058	492	8,550	--	8,550
Unexpended customer facility charge revenues and interest earned June 30, 2015	$ 202,128	$ 11,789	$ 213,917	$ 3,026	$ 210,891

Note: LAX changed the basis of presentation of this schedule from cash basis to accrual basis in fiscal year 2015. The prior year amounts were adjusted to reflect this change.

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

Notes to the Schedule of Customer Facility Charge Revenues and Expenditures For the Fiscal Years Ended June 30, 2015 and 2014

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).

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):

	2015	2014
Amount collected	$ 202,128	$ 172,781
Interest earnings	11,789	9,660
Subtotal	213,917	182,441
Expenditures		
CRCF planning and development costs	3,026	3,026
Unexpended CFCs revenue and interest earnings	$ 210,891	$ 179,415

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 accrual basis of accounting.

Los Angeles World Airports
Administrative Offices
1 World Way
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Mail: PO Box 92216
Los Angeles, CA 90009-2216
Telephone: (310) 646-5252
Internet: 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

APPENDIX C

CERTAIN DEFINITIONS AND SUMMARIES OF THE MASTER SENIOR INDENTURE AND THE SIXTEENTH SUPPLEMENTAL SENIOR INDENTURE

CERTAIN DEFINITIONS

The following are definitions of certain terms used in this Official Statement including the summaries of the Master Senior Indenture and the Sixteenth Supplemental Senior Indenture found in this Appendix C.

"*Accreted Value*" means (i) with respect to any Capital Appreciation Senior Bonds, as of any date of calculation, the sum of the amount set forth in a Supplemental Senior Indenture as the amount representing the initial principal amount of such Capital Appreciation Senior Bonds plus the interest accumulated, compounded and unpaid thereon as of the most recent compounding date, or (ii) with respect to Original Issue Discount Senior Bonds, as of the date of calculation, the amount representing the initial public offering price of such Original Issue Discount Senior Bonds plus the amount of the discounted principal which has accreted since the date of issue; in each case the Accreted Value will be determined in accordance with the provisions of the Supplemental Senior Indenture authorizing the issuance of such Capital Appreciation Senior Bond or Original Issue Discount Senior Bond.

"*Airport Revenue Fund*" means the fund established by and existing pursuant to Section 635(a) of the Charter or any successor provision and maintained separate and apart from all other funds and accounts of the City Treasury.

"*Airport System*" means all airports, airport sites, and all equipment, accommodations and facilities for aerial navigation, flight, instruction and commerce belonging to or pertaining to the City and under the jurisdiction and control of the Department, including Los Angeles International Airport, LA/Ontario International Airport, Van Nuys Airport and LA/Palmdale Regional Airport and any successor entities thereto; and including or excluding, as the case may be, such property as the Board may either acquire or which will be placed under its control, or divest or have removed from its control.

"*Authorized Representative*" means the President of the Board, the Executive Director, the Chief Operating Officer or the Chief Financial Officer or such other officer or employee of the Board or the Department or other person which other officer, employee or person has been designated by the Board or the Department as an Authorized Representative by written notice delivered by the President of the Board, the Executive Director, the Chief Operating Officer or the Chief Financial Officer to the Senior Trustee.

"*Balloon Indebtedness*" means, with respect to any Series of Senior Bonds twenty-five percent (25%) or more of the principal of which matures on the same date or within a Fiscal Year, that portion of such Series which matures on such date or within such Fiscal Year; provided, however, that to constitute Balloon Indebtedness the amount of Senior Bonds of a Series maturing on a single date or within a Fiscal Year must equal or exceed 150% of the amount of such Series which matures during any preceding Fiscal Year. For purposes of this definition, the principal amount maturing on any date will be reduced by the amount of such Senior Bonds, scheduled to be amortized by prepayment or redemption prior to their stated maturity date. A Senior Commercial Paper Program and the Commercial Paper constituting part of such Senior Program will not be Balloon Indebtedness.

"*Board*" means the Board of Airport Commissioners of the City of Los Angeles, California, created under the provisions of the Charter, and any successor to its function.

"*Bond Counsel*" means a firm or firms of attorneys which are nationally recognized as experts in the area of municipal finance and which are familiar with the transactions contemplated under the Senior Indenture and which are acceptable to the Department.

"*Bondholder*," "*holder*," "*owner*" or "*registered owner*" means the person in whose name any Senior Bond or Senior Bonds are registered on the books maintained by the Senior Registrar and will include any Credit Provider or Liquidity Provider to which a Senior Repayment Obligation is then owed, to the extent that such Senior Repayment Obligation is deemed to be a Senior Bond under the provisions of the Senior Indenture.

"*Business Day*" means a day on which banks located in New York, New York, in Los Angeles, California and in the city in which the principal corporate trust office of the Senior Trustee is located are open, provided that such term may have a different meaning for any specified Series of Senior Bonds if so provided by Supplemental Senior Indenture.

"*Capital Appreciation Senior Bonds*" means Senior Bonds all or a portion of the interest on which is compounded and accumulated at the rates and on the dates set forth in a Supplemental Senior Indenture and is payable only upon redemption or on the maturity date of such Senior Bonds. Senior Bonds which are issued as Capital Appreciation Senior Bonds, but later convert to Senior Bonds on which interest is paid periodically will be Capital Appreciation Senior Bonds until the conversion date and from and after such conversion date will no longer be Capital Appreciation Senior Bonds, but will be treated as having a principal amount equal to their Accreted Value on the conversion date.

"*Charter*" means the Charter of the City of Los Angeles, as amended from time to time, and any other article or section of the Charter of the City of Los Angeles, as amended from time to time, in which the provisions relating to the Board and the Department are set forth or may hereafter be set forth, and any predecessor provisions thereof which will be deemed to continue in force.

"*Chief Financial Officer*" means the person at a given time who is the chief financial officer of the Department or such other title as the Department may from time to time assign for such position, and the officer or officers succeeding to such position as certified to the Senior Trustee by the Department.

"*Chief Operating Officer*" means the person at a given time who is the chief operating officer of the Department or such other title as the Department may from time to time assign for such position, and the officer or officers succeeding to such position as certified to the Senior Trustee by the Department.

"*City*" means The City of Los Angeles, California.

"*City Attorney*" means legal counsel to the Board and staff of the Department who otherwise acts as provided for in the Charter.

"*City Treasury*" means the official depository of the City established pursuant to the Charter which is under the control of the Treasurer.

"*Code*" means the Internal Revenue Code of 1986, as amended, and the United States Treasury Regulations applicable with respect thereto.

"*Commercial Paper*" means notes of the Department with a maturity of not more than 270 days from the date of issuance and which are issued and reissued from time to time pursuant to a Senior Program adopted by the Board.

"*Consultant*" means any Independent consultant, consulting firm, engineer, architect, engineering firm, architectural firm, accountant or accounting firm, or other expert recognized to be well-qualified for work of the character required and retained by the Department to perform acts and carry out the duties provided for such consultant in the Senior Indenture.

"*Costs*" or "*Costs of a Project*" means all costs of planning, developing, financing, constructing, installing, equipping, furnishing, improving, acquiring, enlarging and/or renovating a Project and placing the same in service and will include, but not be limited to the following: (1) costs of real or personal property, rights, franchises, easements and other interests in property, real or personal, and the cost of demolishing or removing structures and site preparation, infrastructure development, and landscaping and acquisition of land to which structures may be removed; (2) the costs of materials and supplies, machinery, equipment, vehicles, rolling stock, furnishings, improvements and enhancements; (3) labor and related costs and the costs of services provided, including costs of consultants, advisors, architects, engineers, accountants, planners, attorneys, financial and feasibility consultants, in each case, whether an employee of the City or the Department or Consultant; (4) costs of the Department properly allocated to a Project and with respect to costs of its employees or other labor costs, including the cost of medical, pension, retirement and other benefits as well as salary and wages and the allocable costs of administrative, supervisory and managerial personnel and the properly allocable cost of benefits provided for such personnel; (5) financing expenses, including costs related to issuance of and securing of Senior Bonds, costs of Credit Facilities, Liquidity Facilities, Senior Capitalized Interest, the Senior Reserve Fund, any Senior Debt Service Reserve Fund (other than the Senior Reserve Fund), and Senior Trustee's fees and expenses; (6) any Senior Swap Termination Payments due in connection with a Series of Senior Bonds or the failure to issue such Series of Senior Bonds, and (7) such other costs and expenses that can be capitalized under generally accepted accounting principles in effect at the time the cost is incurred by the Department. Costs of a Project will also include the acquisition or refunding of outstanding revenue bonds and obligations of the Department, RAIC bonds and California Statewide Communities Development Authority bonds, including any financing costs with respect thereto.

"*Credit Facility*" means a policy of municipal bond insurance, a letter of credit, surety bond, line of credit, guarantee, standby purchase agreement, Senior Reserve Fund Surety Policy, a Senior Debt Service Reserve Fund Surety Policy (other than a Senior Reserve Fund Surety Policy), or other financial instrument which obligates a third party to make payment of or provide funds to the Senior Trustee for the payment of the principal of and/or interest on Senior Bonds whether such obligation is to pay in the first instance and seek reimbursement or to pay only if the Department fails to do so.

"*Credit Provider*" means the party obligated to make payment of principal of and interest on the Senior Bonds under a Credit Facility.

"*Customer Facility Charges*" means all amounts received by the Department from the payment of any customer facility fees or charges by customers of automobile rental companies pursuant to the authority granted by Section 1936 of the California Civil Code, as amended from time to time, or any other applicable State law, including all interest, profits or other income derived from the deposit or investment therefor.

"*Department*" means the Department of Airports of the City of Los Angeles, or any successor thereto performing the activities and functions of the Department under the Charter.

"*Executive Director*" means the person at a given time who is the executive director of the Department or such other title as the Department may from time to time assign for such position, and the officer or officers succeeding to such position as certified to the Senior Trustee by the Department.

"*Facilities Construction Credit*" and "*Facilities Construction Credits*" means the amounts further described in the Master Senior Indenture resulting from an arrangement embodied in a written agreement of the Department and another person or entity pursuant to which the Department permits such person or entity to make a payment or payments to the Department which is reduced by the amount owed by the Department to such person or entity under such agreement, resulting in a net payment to the Department by such person or entity. The "*Facilities Construction Credit*" will be deemed to be the amount owed by the Department under such agreement which is "netted" against the payment of such person or entity to the Department. "*Facilities Construction Credits*" will include any credits extended to airlines or other users of LAX Airport Facilities related to RAIC projects.

"*Fiscal Year*" means the period of time beginning on July 1 of each given year and ending on June 30 of the immediately subsequent year, or such other similar period as the Department designates as its fiscal year.

"*Fitch*" means Fitch, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and its assigns, and, if such corporation will for any reason no longer perform the functions of a securities rating agency, "*Fitch*" will be deemed to refer to any nationally recognized rating agency designated by the Department (other than Moody's or S&P).

"*Government Obligations*" means (1) United States Obligations (including obligations issued or held in book-entry form), (2) prerefunded municipal obligations meeting the following conditions: (a) the municipal obligations are not subject to redemption prior to maturity, or the trustee has been given irrevocable instructions concerning their calling and redemption and the issuer has covenanted not to redeem such obligations other than as set forth in such instructions; (b) the municipal obligations are secured by cash and/or United States Obligations, which United States Obligations may be applied only to interest, principal and premium payments of such municipal obligations; (c) the principal of and interest on the United States Obligations (plus any cash in the escrow fund) are sufficient to meet the liabilities of the municipal obligations; (d) the United States Obligations serving as security for the municipal obligations are held by an escrow agent or trustee; (e) the United States Obligations are not available to satisfy any other claims, including those against the trustee or escrow agent; and (f) the municipal obligations are rated in their highest rating category by Moody's if Moody's then maintains a rating on any of the Senior Bonds and by S&P if S&P then maintains a rating on any of the Senior Bonds, and (3) any other type of security or obligation that Moody's if Moody's then maintains a rating on any of the Senior Bonds and S&P if S&P then maintains a rating on any of the Senior Bonds have determined to be permitted defeasance securities.

"*Implemented*" means a Senior Program which has been authorized and the terms thereof approved by a resolution adopted by the Board and, with respect to which Senior Program, the provisions of the Master Senior Indenture have been complied with.

"*Independent*" means, when used with respect to any specified firm or individual, such a firm or individual who (i) does not have any direct financial interest or any material indirect financial interest in the operations of the

Department or the City, other than the payment to be received under a contract for services to be performed, and (ii) is not connected with the Department or the City as an official, officer or employee.

"*LAX Airport Facilities*" or "*LAX Airport Facility*" means a facility or group of facilities or category of facilities which constitute or are part of Los Angeles International Airport (excluding privately owned or leased property, except for any portion thereof which is governmentally owned or leased and which is a source of Pledged Revenues).

"*LAX Maintenance and Operation Expenses*" means, for any given period, the total operation and maintenance expenses of Los Angeles International Airport as determined in accordance with generally accepted accounting principles as in effect from time to time, excluding depreciation expense and any operation and maintenance expenses of Los Angeles International Airport payable from moneys other than Pledged Revenues.

"*LAX Maintenance and Operation Reserve Account*" means the Los Angeles International Airport Maintenance and Operation Reserve Account authorized to be created by Ordinance No. 173,232 and established pursuant to Section 23.10(d)(2) of the Los Angeles Administrative Code.

"*LAX Revenue Account*" means the account established pursuant to the Master Senior Indenture and Section 23.10(a) of the Los Angeles Administrative Code.

"*LAX Revenues*" means, except to the extent specifically excluded herefrom, all income, receipts, earnings and revenues received by the Department from the Los Angeles International Airport, for any given period, as determined in accordance with generally accepted accounting principles, as modified from time to time, including, but not limited to, (1) rates, tolls, fees, rentals, charges and other payments made to or owed to the Department for the use or availability of property or facilities at Los Angeles International Airport, (2) amounts received or owed from the sale or provision of supplies, materials, goods and services provided by or made available by the Department at Los Angeles International Airport, including Facilities Construction Credits, and rental or business interruption insurance proceeds, received by, held by, accrued to or entitled to be received by the Department or any successor thereto from the possession, management, charge, superintendence and control of Los Angeles International Airport (or any LAX Airport Facilities or activities and undertakings related thereto) or from any other facilities wherever located with respect to which the Department receives payments which are attributable to LAX Airport Facilities or activities or undertakings related thereto, all of which is required to be deposited in the Airport Revenue Fund pursuant to the Charter and the LAX Revenue Account pursuant to the Master Senior Indenture. "*LAX Revenues*" include all income, receipts and earnings from the investment amounts held in the LAX Revenue Account, any Senior Construction Fund allowed to be pledged by the terms of a Supplemental Senior Indenture, the Senior Reserve Fund, any Senior Debt Service Reserve Fund and allocated earnings on the Maintenance and Operation Reserve Fund.

"*LAX Special Facilities*" or "*LAX Special Facility*" means, with respect to Los Angeles International Airport, a facility or group of facilities or improvements or category of facilities or improvements which are designated as an LAX Special Facility or LAX Special Facilities pursuant to the provisions of the Master Senior Indenture. LAX Special Facilities do not include facilities financed by the RAIC.

"*LAX Special Facilities Revenue*" means the contractual payments and all other revenues derived by or available to or receivable by the Department from an LAX Special Facility, which are pledged to secure LAX Special Facility Obligations.

"*LAX Special Facility Obligations*" means bonds or other debt instruments issued pursuant to an indenture other than the Senior Indenture or the Subordinate Indenture to finance LAX Special Facilities and which, except as otherwise provided in the Master Senior Indenture, are not secured by nor payable from a lien on and pledge of the Pledged Revenues but which are secured by revenues derived from LAX Special Facilities located at Los Angeles International Airport.

"*Liquidity Facility*" means a letter of credit, line of credit, standby purchase agreement or other financial instrument, including a Credit Facility, which is available to provide funds with which to purchase Senior Bonds.

"*Liquidity Provider*" means the entity, including the Credit Provider, which is obligated to provide funds to purchase Senior Bonds under the terms of a Liquidity Facility.

"*Los Angeles International Airport*" and "*LAX*" means that portion of the Airport System commonly known by such name which is located in the City of Los Angeles and generally bounded by Westchester Parkway on the north, the San Diego (405) Freeway on the east, Imperial Highway on the south and the Pacific Ocean on the west; including all facilities and property related thereto, real or personal, under the jurisdiction or control of the Department at such location or in which the Department has other rights or from which the Department derives revenues at such location.

"*Mail*" means by first-class United States mail, postage prepaid.

"*Maintenance and Operation Expenses of the Airport System*" means, for any given period, the total operation and maintenance expenses, exclusive of depreciation expense, of the Airport System as determined in accordance with generally accepted accounting principles as modified from time to time.

"*Maintenance and Operation Reserve Fund*" means the fund established by and existing pursuant to Section 635(a) of the Charter or any successor provision and the provisions of the Master Senior Indenture.

"*Master Senior Indenture*" means the Master Trust Indenture, dated as of April 1, 1995, by and between the Department, acting by and through the Board, and the Senior Trustee, as amended.

"*Master Subordinate Indenture*" means the Master Subordinate Trust Indenture, dated as of December 1, 2002, by and between the Department and U.S. Bank National Association, as trustee, as amended.

"*Moody's*" means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and its assigns, and, if such corporation will for any reason no longer perform the functions of a securities rating agency, "*Moody's*" will be deemed to refer to any other nationally recognized rating agency designated by the Department.

"*Net Pledged Revenues*" means, for any given period, the Pledged Revenues for such period less, for such period, the LAX Maintenance and Operation Expenses.

"*Net Proceeds*" means insurance proceeds received as a result of damage to or destruction of LAX Airport Facilities or any condemnation award or amounts received by the Department from the sale of LAX Airport Facilities under the threat of condemnation less expenses (including attorneys' fees and expenses and any fees and expenses of the Senior Trustee) incurred in the collection of such proceeds or award.

"*Non-Qualified Swap*" means any Swap which is not a Senior Qualified Swap.

"*Ordinance No. 173,232*" means the City of Los Angeles Ordinance No. 173,232 which became effective on June 19, 2000.

"*Original Issue Discount Senior Bonds*" means Senior Bonds which are sold at an initial public offering price of less than 95% of their face value and which are specifically designated as Original Issue Discount Senior Bonds by the Supplemental Senior Indenture under which such Senior Bonds are issued.

"*Outstanding*" means all Senior Bonds which have been authenticated and delivered under the Senior Indenture, except:

(a) Senior Bonds cancelled or purchased by the Senior Trustee for cancellation or delivered to or acquired by the Senior Trustee for cancellation and, in all cases, with the intent to extinguish the debt represented thereby;

(b) Senior Bonds deemed to be paid in accordance with the Master Senior Indenture;

(c) Senior Bonds in lieu of which other Senior Bonds have been authenticated under the provisions of the Master Senior Indenture;

(d) Senior Bonds that have become due (at maturity or on redemption, acceleration or otherwise) and for the payment of which sufficient moneys, including interest accrued to the due date, are held by the Senior Trustee or a Senior Paying Agent;

(e) Senior Bonds which, under the terms of the Supplemental Senior Indenture pursuant to which they were issued, are deemed to be no longer Outstanding;

(f) Senior Repayment Obligations deemed to be Senior Bonds under the Master Senior Indenture to the extent such Senior Repayment Obligation arose under the terms of a Liquidity Facility and are secured by a pledge of Outstanding Senior Bonds acquired by the Liquidity Provider; and

(g) for purposes of any consent or other action to be taken by the holders of a specified percentage of Senior Bonds under the Master Senior Indenture, Senior Bonds held by or for the account of the Department or by any person controlling, controlled by or under common control with the Department, unless such Senior Bonds are pledged to secure a debt to an unrelated party.

"*Passenger Facility Charges*" or "*PFCs*" means charges collected by the Department pursuant to the authority granted by the Aviation Safety and Capacity Expansion Act of 1990 Pub. L. 101-508, Title IX, Subtitle B, Sections 9110 and 9111, the Wendel H. Ford Aviation Investment and Reform Act for the 21st Century, Pub. L. 106-181 and 14 CFR Part 158, all as amended from time to time, or any other applicable federal law, in respect of LAX and interest earnings thereon net of amounts that collecting air carriers are entitled to retain for collecting, handling and remitting such passenger facility charge revenues.

"*Payment Date*" means, with respect to any Senior Bonds, each date on which interest is due and payable thereon and each date on which principal is due and payable thereon whether by maturity or redemption thereof.

"*Pledged Revenues*" means, except to the extent specifically excluded in the Master Senior Indenture or under the terms of any Supplemental Senior Indenture (only with respect to the Series of Senior Bonds issued pursuant to such Supplemental Senior Indenture), LAX Revenues. "*Pledged Revenues*" will also include such additional revenues, if any, as are designated as "*Pledged Revenues*" under the terms of any Supplemental Senior Indenture. The following, including any investment earnings thereon, are specifically excluded from Pledged Revenues: (i) any amounts received by the Department from the imposition of ad valorem taxes, (ii) gifts, grants and other income (including any investment earnings thereon) otherwise included in the definition of "*LAX Revenues*" which are restricted by their terms to purposes inconsistent with the payment of debt service on the Senior Bonds, (iii) Net Proceeds and other insurance proceeds, to the extent the use of such Net Proceeds or other proceeds is restricted by the terms of the policy under which they are paid to a use inconsistent with the payment of debt service on the Senior Bonds, (iv) any Transfer and (v) LAX Special Facilities Revenue. In addition, the following, including any investment earnings thereon, are specifically excluded from "*Pledged Revenues*," unless designated as "*Pledged Revenues*" under the terms of a Supplemental Senior Indenture: (a) any Senior Swap Termination Payments paid to the Department pursuant to a Senior Qualified Swap, (b) Facilities Construction Credits, (c) Passenger Facility Charges unless otherwise so pledged under the terms of any Supplemental Senior Indenture, (d) Customer Facility Charges unless otherwise so pledged under the terms of any Supplemental Senior Indenture (provided that only Customer Facility Charges in respect of LAX may be so pledged), (e) unless otherwise so pledged, all revenues of the Airport System not related to Los Angeles International Airport and (f) Released LAX Revenues. Further, interest earnings or other investment earnings on any Senior Construction Fund established by any Supplemental Senior Indenture are specifically excluded from "*Pledged Revenues*," unless otherwise provided for in such Supplemental Senior Indenture.

"*President*" or "*President of the Board*" means the president of the Board or such other title as the Board may from time to time assign for such position.

"*Project*" means any and all facilities, improvements and other expenditures related to the Airport System financed in whole or in part with proceeds of Senior Bonds.

"*RAIC*" means the Regional Airports Improvement Corporation, a California nonprofit corporation.

"*Rating Agency*" and "*Rating Agencies*" means Fitch, Moody's or S&P, or any other nationally recognized rating agency of municipal obligations, but only if such Rating Agencies have been requested by the Department to maintain a rating on the Senior Bonds and such Rating Agencies are then maintaining a rating on any of the Senior Bonds.

"*Rating Category*" and "*Rating Categories*" means (i) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign or other modifier, and (ii) with respect to any short-term or commercial paper rating category, all ratings designated by a particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

"*Rebate Fund*" means any fund created by the Department pursuant to a Supplemental Senior Indenture in connection with the issuance of the Senior Bonds or any Series of Senior Bonds for the purpose of complying with the Code and providing for the collection and holding for and payment of amounts to the United States of America.

"*Record Date*" means, with respect to any Series of Senior Bonds, the record date as specified in the Supplemental Senior Indenture which provides for the issuance of such Series of Senior Bonds. With respect to the Series 2015DE Senior Bonds, "Record Date" means for a May 15 Interest Payment Date the preceding May 1 and for a November 15 Interest Payment Date the preceding November 1.

"*Refunding Senior Bonds*" means any Senior Bonds issued pursuant to the Master Senior Indenture to refund or defease all or a portion of any series of Outstanding Senior Bonds, any Subordinated Obligation or any Third Lien Obligation.

"*Regularly Scheduled Swap Payments*" means the regularly scheduled payments under the terms of a Swap which are due absent any termination, default or dispute in connection with such Swap.

"*Released LAX Revenues*" means LAX Revenues in respect of which the following have been filed with the Senior Trustee:

(a) a resolution of the Board describing a specific identifiable portion of LAX Revenues and approving that such LAX Revenues be excluded from the term Pledged Revenues;

(b) either (i) a certificate prepared by an Authorized Representative showing that Net Pledged Revenues for each of the two most recent completed Fiscal Years, after the specific identifiable portion of LAX Revenues covered by the Board's resolution described in (a) above are excluded, were at least equal to the larger of (A) the amounts needed for making the required deposits and payments pursuant to paragraphs SECOND through EIGHTH described under the caption "SUMMARY OF THE MASTER SENIOR INDENTURE—Withdrawals from LAX Revenue Account" below, or (B) an amount not less than 150% of average Senior Aggregate Annual Debt Service for each Fiscal Year during the remaining term of all Senior Bonds that will remain Outstanding after the exclusion of such specific identifiable portion of LAX Revenues; or (ii) a certificate prepared by a Consultant showing that the estimated Net Pledged Revenues (excluding the specific identifiable portion of LAX Revenues covered in the resolution adopted by the Board described in (a) above) for each of the first three complete Fiscal Years immediately following the Fiscal Year in which the resolution described in (a) above is adopted by the Board, will not be less than the larger of (A) the amounts needed for making the required deposits and payments pursuant to paragraphs SECOND through EIGHTH described under the caption "SUMMARY OF THE MASTER SENIOR INDENTURE—Withdrawals from LAX Revenue Account," or (B) an amount not less than 150% of the average Senior Aggregate Annual Debt Service for each Fiscal Year during the remaining term of all Senior Bonds that will remain Outstanding after the exclusion of such specific identifiable portion of LAX Revenues;

(c) an opinion of Bond Counsel to the effect that the exclusion of such specific identifiable portion of revenues from the definition of LAX Revenues and from the pledge and lien of the Master Senior Indenture will not, in and of itself, cause the interest on any Outstanding Senior Bonds to be included in gross income for purposes of federal income tax; and

(d) written confirmation from each of Fitch and Moody's (provided such Rating Agencies have been requested by the Department to maintain a rating on the Senior Bonds and such Rating Agencies are then maintaining a rating on any of the Senior Bonds) to the effect that the exclusion of such specific identifiable portion of revenues from the pledge and lien of the Master Senior Indenture will not cause a withdrawal or reduction in any unenhanced rating then assigned to the Senior Bonds.

For purposes of subparagraph (b) above, no Transfer will be taken into account in the computation of Net Pledged Revenues.

Additionally, the Department will give written notice to S&P (provided S&P has been requested by the Department to maintain a rating on the Senior Bonds and S&P is then maintaining a rating on any of the Senior Bonds) at least 15 days prior to any specific identifiable portion of LAX Revenues being excluded from the pledge and lien of the Master Senior Indenture as proved in this definition of "*Released LAX Revenues*."

Upon filing of such documents, the specific identifiable portion of LAX Revenues described in the resolution of the Board will no longer be included in Pledged Revenues and will be excluded from the pledge and lien of the Master Senior Indenture, unless otherwise included in Pledged Revenues and in the pledge and lien of the Master Senior Indenture pursuant to a Supplemental Senior Indenture.

"*Responsible Officer*" means an officer or assistant officer of the Senior Trustee assigned by the Senior Trustee to administer the Senior Indenture.

"*S&P*" means Standard & Poor's Ratings Group, a corporation organized and existing under the laws of the State of New York, its successors and their assigns, and if such corporation will for any reason no longer perform the functions of a securities rating agency, "*S&P*" will be deemed to refer to any other nationally recognized securities rating agency designated by the Department.

"*Senior Aggregate Annual Debt Service*" means for any Fiscal Year the aggregate amount of Senior Annual Debt Service on all Outstanding Senior Bonds and Unissued Senior Program Bonds. For purposes of calculating Senior Aggregate Annual Debt Service, the following components of debt service will be computed as follows:

(i) in determining the principal due in each year, payment will (unless a different subsection of this definition applies for purposes of determining principal maturities or amortization) be assumed to be made on Outstanding Senior Bonds, and Unissued Senior Program Bonds in accordance with any amortization schedule established by the governing documents setting forth the terms of such Senior Bonds, including, as a principal payment, the Accreted Value of any Capital Appreciation Senior Bonds or Original Issue Discount Senior Bonds maturing or scheduled for redemption in such year; in determining the interest due in each year, interest payable at a fixed rate will (except to the extent subsection (ii), (iii) or (iv) of this definition applies) be assumed to be made at such fixed rate and on the required payment dates; provided, however, that interest payable on the Senior Bonds will be excluded to the extent such payments are to be paid from Senior Capitalized Interest for such Fiscal Year;

(ii) if all or any portion or portions of an Outstanding Series of Senior Bonds, or Unissued Senior Program Bonds constitute Balloon Indebtedness (excluding Senior Program Bonds or Unissued Senior Program Bonds to which subsection (vi) applies), then, for purposes of determining Senior Aggregate Annual Debt Service, each maturity which constitutes Balloon Indebtedness will, unless otherwise provided in the Supplemental Senior Indenture pursuant to which such Balloon Indebtedness is issued or unless provision (iii) of this definition then applies to such maturity, be treated as if it were to be amortized over a term of not more than 30 years and with substantially level annual debt service payments commencing not later than the year following the year in which such Balloon Indebtedness was issued, and extending not later than 30 years from the date such Balloon Indebtedness was originally issued; the interest rate used for such computation will be that rate quoted in The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by *The Bond Buyer*, or if that index is no longer published, another similar index selected by the Department, or if the Department fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for fixed-rate Senior Bonds of a corresponding term issued under the Senior Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Senior Bonds bear interest which is or is not excluded from gross income for federal income tax purposes; with respect to any Series of Senior Bonds, Unissued Senior Program Bonds or Senior Program Bonds only a portion of which constitutes Balloon Indebtedness, the remaining portion will be treated as described in (i) above or such other provision of this definition as will be applicable and, with respect to any Series, Unissued Senior Program Bonds or Senior Program Bonds or that portion of a Series thereof which constitutes Balloon Indebtedness, all payments of principal and interest becoming due prior to the year of the stated maturity of the Balloon Indebtedness will be treated as described in (i) above or such other provision of this definition as will be applicable;

(iii) any maturity of Senior Bonds which constitutes Balloon Indebtedness as described in provision (ii) of this definition and for which the stated maturity date occurs within 12 months from the date such calculation is made, will be assumed to become due and payable on the stated maturity date and provision (ii) above will not apply thereto unless there is delivered to the entity making the calculation a certificate of an Authorized Representative stating that the Department intends to refinance such maturity and stating the probable terms of such refinancing and that the debt capacity of the Department is sufficient to successfully complete such refinancing; upon the receipt of such certificate, such Balloon Indebtedness will be assumed to be refinanced in accordance with the probable terms set out in such certificate and such terms will be used for purposes of calculating Senior Aggregate Annual Debt Service, provided that such assumption will not result in an amortization period longer than or an interest rate lower than that which would be assumed under provision (ii) above;

(iv) if any Outstanding Senior Bonds (including Senior Program Bonds then issued and Outstanding) or any Senior Bonds which are then proposed to be issued constitute Senior Tender Indebtedness, then, for purposes of determining Senior Aggregate Annual Debt Service, Senior Tender Indebtedness will be treated as if (a) the principal amount of such Senior Bonds were to be amortized over a term of not more than 30 years commencing in the year in which such Series is first subject to tender and with substantially level Senior Annual Debt Service payments and extending not later than 30 years from the date such Senior Tender Indebtedness was originally issued, provided, however, notwithstanding the previous provisions of this clause (a), any principal amortization schedule set forth in a Supplemental Senior Indenture (including, but not limited to, any mandatory sinking fund redemption schedule) will be applied to determine the principal amortization of such Senior Bonds; (b) the interest rate used for such computation will be that rate quoted in The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by *The Bond Buyer*, or if that index is no longer published, another similar index selected by the Department, or if the Department fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for fixed rate Senior Bonds of a corresponding term issued under the Senior Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Senior Bonds bear interest which is or is not excluded from gross income for federal income tax purposes; and (c) with respect to all principal and interest payments becoming due prior to the year in which such Senior Tender Indebtedness is first subject to tender, such payments will be treated as described in (i) above unless the interest during that period is subject to fluctuation, in which case the interest becoming due prior to such first tender date will be determined as provided in (v) or (vi) below, as appropriate;

(v) if any Outstanding Senior Bonds constitute Variable Rate Indebtedness, including obligations described in subsection (viii)(b) to the extent it applies (except to the extent subsection (ii) or (iii) relating to Balloon Indebtedness or (iv) relating to Senior Tender Indebtedness or subsection (viii)(a) relating to Synthetic Fixed Rate Debt applies), the interest rate used for such computation will be the rate quoted in The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by *The Bond Buyer*, or if that index is no longer published, another similar index selected by the Department or if the Department fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for fixed-rate Senior Bonds of a corresponding term issued under the Senior Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Senior Bonds bear interest which is or is not excluded from gross income for federal income tax purposes;

(vi) with respect to any Senior Program Bonds or Unissued Senior Program Bonds (other than a Senior Commercial Paper Program) (a) debt service on Senior Program Bonds then Outstanding will be determined in accordance with such of the foregoing provisions of this definition as will be applicable, and (b) with respect to Unissued Senior Program Bonds, it will be assumed that the full principal amount of such Unissued Senior Program Bonds will be amortized over a term certified by an Authorized Representative at the time the initial Senior Program Bonds of such Senior Program are issued to be the expected duration of such Senior Program or, if such expectations have changed, over a term certified by an Authorized Representative to be the expected duration of such Senior Program at the time of such calculation, but not to exceed 30 years from the date the initial Senior Program Bonds of such Senior Program are issued and it will be assumed that debt service will be paid in substantially level Senior Annual Debt Service payments over such assumed term; the interest rate used for such computation will be that rate quoted in The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by *The Bond Buyer*, or if that index is no longer published, another similar index selected by the Department, or if the Department fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for fixed-rate Senior Bonds of a corresponding term issued under the Senior Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Senior Bonds bear interest which is or is not excluded from gross income for federal income tax purposes;

(vii) debt service on Senior Repayment Obligations, to the extent such obligations constitute Senior Bonds under the Master Senior Indenture, will be calculated as provided in the Master Senior Indenture;

(viii) (a) for purposes of computing the Senior Aggregate Annual Debt Service of Senior Bonds which constitute Synthetic Fixed Rate Debt, the interest payable thereon will, if the Department elects, be that rate as provided for by the terms of the Swap or the net interest rate payable pursuant to offsetting indices, as applicable, or if the Department does not elect such rate, then it will be deemed to be the fixed interest rate quoted in The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by *The Bond Buyer*, or if that index is no longer published, another similar index selected by the Department or if the Department fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for fixed-rate Senior Bonds of a corresponding term issued under the Senior Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Senior Bonds bear interest which is or is not excluded from gross income for federal income tax purposes;

(b) for purposes of computing the Senior Aggregate Annual Debt Service of Senior Bonds with respect to which a Swap has been entered into whereby the Department has agreed to pay the floating variable rate thereunder, no fixed interest rate amounts payable on the Senior Bonds to which such Swap pertains will be included in the calculation of Senior Aggregate Annual Debt Service, and the interest rate with respect to such Senior Bonds will be the sum of that rate as determined in accordance with subsection (v) relating to Variable Rate Indebtedness plus the difference between the interest rate on the Senior Designated Debt and the rate received from the Swap Provider;

(ix) if moneys, Senior Permitted Investments or any other amounts not included in Pledged Revenues have been used to pay or have been irrevocably deposited with and are held by the Senior Trustee or another fiduciary to pay or Senior Capitalized Interest has been set aside exclusively to be used to pay principal and/or interest on specified Senior Bonds, then the principal and/or interest to be paid from such moneys, Senior Permitted Investments, other amounts not included in Pledged Revenues or Senior Capitalized Interest or from the earnings thereon will be disregarded and not included in calculating Senior Aggregate Annual Debt Service;

(x) with respect to any Senior Commercial Paper Program which has been Implemented and not then terminated or with respect to any Senior Commercial Paper Program then proposed to be Implemented, the principal and interest thereon will be calculated as if the entire Senior Authorized Amount of such Senior Commercial Paper Program were to be amortized over a term of 30 years commencing in the year in which such Senior Commercial Paper Program is Implemented and with substantially level Senior Annual Debt Service payments; the interest rate used for such computation will be that rate quoted in The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by *The Bond Buyer*, or if that index is no longer published, another similar index selected by the Department, or if the Department fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for fixed rate Senior Bonds of a corresponding term issued under the Senior Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Senior Bonds bear interest which is or is not excluded from gross income for federal income tax purposes; and

(xi) if Passenger Facility Charges, Customer Facility Charges, state and/or federal grants or other moneys not included in Pledged Revenues have been irrevocably committed or are held by the Senior Trustee or another fiduciary and are to be set aside exclusively to be used to pay principal and/or interest on specified Senior Bonds, then the principal and/or interest to be paid from such Passenger Facility Charges, Customer Facility Charges, state and/or federal grants or other moneys not included in Pledged Revenues or from earnings thereon will be disregarded (unless such Passenger Facility Charges, Customer Facility Charges, state and/or federal grants or other moneys are included in the definition of Pledged Revenues) and not included in calculating Senior Aggregate Annual Debt Service.

"*Senior Aggregate Annual Debt Service For Reserve Requirement*" means the computation of Senior Aggregate Annual Debt Service with respect to all Outstanding Senior Bonds participating in the Senior Reserve Fund or all Outstanding Senior Bonds participating in a separately created Senior Debt Service Reserve Fund, as the case may be, in the then current or any future Fiscal Year with such modifications in the assumptions thereof as is described in this definition. For purposes of determining the Senior Aggregate Annual Debt Service For Reserve Requirement, the annual debt service with respect to any Variable Rate Indebtedness will, upon the issuance of such Series, be calculated on the basis of the assumptions set forth in subsection (v) of the definition of Senior Aggregate Annual Debt Service, and the amount so determined will not require adjustment thereafter except as appropriate to reflect reductions in the outstanding principal amount of such Series. For purposes of the Senior Aggregate Annual Debt Service For Reserve Requirement, the annual debt service requirements assumed at the time of issuance of a Series of Senior Bonds containing Balloon Indebtedness or Senior Tender Indebtedness will not, with respect to such Series, require subsequent increases.

"*Senior Annual Debt Service*" means, with respect to any Senior Bond, the aggregate amount of principal and interest becoming due and payable during any Fiscal Year, and if a Senior Qualified Swap is in effect for such Senior Bond, plus the amount payable by the Department (or the Senior Trustee) under the Senior Qualified Swap in accordance with the terms thereof, less any amount to be received by the Department from the Senior Qualified Swap Provider pursuant to the Senior Qualified Swap, calculated using the principles and assumptions set forth in the definition of Senior Aggregate Annual Debt Service.

"*Senior Authorized Amount*" means, when used with respect to Senior Bonds, including Senior Program Bonds, the maximum Senior Principal Amount of Senior Bonds which is then authorized by a resolution or

Supplemental Senior Indenture adopted by the Board pursuant to the Master Senior Indenture to be Outstanding at any one time under the terms of such Senior Program or Supplemental Senior Indenture. If the maximum Senior Principal Amount of Senior Bonds or Senior Program Bonds authorized by a preliminary resolution or form of Supplemental Senior Indenture approved by the Board pursuant to the Master Senior Indenture exceeds the maximum Senior Principal Amount of Senior Bonds set forth in the final resolution of sale adopted by the Board or in the definitive Supplemental Senior Indenture executed and delivered by the Department pursuant to which such Senior Bonds are issued or such Senior Program is established, the Senior Principal Amount of such Senior Bonds or Senior Program Bonds as is set forth in said final resolution of sale or in the definitive Supplemental Senior Indenture as executed and delivered by the Department will be deemed to be the "*Senior Authorized Amount*." Notwithstanding the provisions of this definition of "*Senior Authorized Amount*," in connection with compliance with the additional Senior Bonds test set forth in the Master Senior Indenture and the calculation of Senior Maximum Aggregate Annual Debt Service and Senior Aggregate Annual Debt Service with respect to a Senior Commercial Paper Program, "*Senior Authorized Amount*" means the total amount available (utilized and unutilized, if applicable) under a Credit Facility entered into with respect to such Senior Commercial Paper Program and the total amount of Commercial Paper Notes that may be issued pursuant to an Unenhanced Commercial Paper Program.

"*Senior Bond*" or "*Senior Bonds*" means any debt obligation of the Department issued under and in accordance with the provisions of the Master Senior Indenture, including, but not limited to, bonds, notes, bond anticipation notes, commercial paper and other instruments creating an indebtedness of the Department, and obligations incurred through lease or installment purchase agreements or other agreements or certificates of participation therein and Senior Repayment Obligations to the extent provided in the Master Senior Indenture. The term "*Senior Bond*" or "*Senior Bonds*" does not include any Subordinated Obligation or Third Lien Obligation; provided, however, that the Department may provide in a Supplemental Senior Indenture that Subordinated Obligations or Third Lien Obligations may be issued thenceforth pursuant to the Master Senior Indenture having the terms applicable to the Senior Bonds, except that such Subordinated Obligations or Third Lien Obligations will be junior and subordinate in payment of such Subordinated Obligations or Third Lien Obligations from the Net Pledged Revenues. The term "*Senior Bond*" and "*Senior Bonds*" includes Senior Program Bonds.

"*Senior Capitalized Interest*" means the amount of interest on Senior Bonds, if any, funded from the proceeds of the Senior Bonds or other monies that are deposited with the Senior Trustee upon issuance of Senior Bonds to be used to pay interest on the Senior Bonds.

"*Senior Commercial Paper Program*" means a Senior Program authorized by the Department pursuant to which Commercial Paper will be issued and reissued from time to time, up to the Senior Authorized Amount of such Senior Program.

"*Senior Construction Fund*" means any of the Senior Construction Funds authorized to be created pursuant to the Master Senior Indenture.

"*Senior Debt Service Fund*" or "*Senior Debt Service Funds*" means a Senior Debt Service Fund or any of the Senior Debt Service Funds required to be created by the Master Senior Indenture.

"*Senior Debt Service Reserve Fund*" means any Senior Debt Service Reserve Fund (other than the Senior Reserve Fund) created by the Department pursuant to a Supplemental Senior Indenture in connection with the issuance of any Series of Senior Bonds and that is required to be funded for the purpose of providing additional security for such Series of Senior Bonds and under certain circumstances to provide additional security for such other designated Series of Senior Bonds issued pursuant to the terms of the Master Senior Indenture and as specified in any Supplemental Senior Indenture.

"*Senior Debt Service Reserve Fund Surety Policy*" means an insurance policy or surety bond, or a letter of credit (other than a Senior Reserve Fund Surety Policy) deposited with the Senior Trustee for the credit of a Senior Debt Service Reserve Fund created for one or more series of Outstanding Senior Bonds in lieu of or partial substitution for cash or securities on deposit therein. Except as otherwise provided in a Supplemental Senior Indenture, the entity providing such Senior Debt Service Reserve Fund Surety Policy will be rated, at the time such instrument is provided, in one of the two highest long-term Rating Categories by both Moody's if Moody's is then maintaining a rating on the Senior Bonds and S&P if S&P is then maintaining a rating on the Senior Bonds.

"*Senior Designated Debt*" means a specific indebtedness designated by the Department with the intent that the risks associated with such debt be offset with a Swap, such specific indebtedness to include all or any part of a Series of Senior Bonds.

"*Senior Event of Default*" means any occurrence or event specified as a "Senior Event of Default" in the Senior Indenture.

"*Senior Indenture*" means the Master Senior Indenture, together with all Supplemental Senior Indentures.

"*Senior Investment Agreement*" means an investment agreement or guaranteed investment contract (i) with or guaranteed by a national or state chartered bank or savings and loan, an insurance company or other financial institution whose unsecured debt is rated in the highest short term rating category (if the term of the Senior Investment Agreement is less than three years) or in either of the two highest long-term rating categories (if the term of the Senior Investment Agreement is three years or longer) by S&P if S&P then maintains a rating on any of the Senior Bonds and by Moody's if Moody's then maintains a rating on any of the Senior Bonds or (ii) which investment agreement or guaranteed investment contract is fully secured by obligations described in item (1) or (2) of the definition of Senior Permitted Investments which are (A) valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at all times at least equal to 105% of the principal amount of the investment, together with the interest accrued and unpaid thereon, (B) held by the Senior Trustee (who will not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Senior Trustee, (C) subject to a perfected first lien on behalf of the Senior Trustee, and (D) free and clear from all third-party liens.

"*Senior Maximum Aggregate Annual Debt Service*" means the maximum amount of Senior Aggregate Annual Debt Service with respect to all Senior Bonds, Unissued Senior Program Bonds, the Senior Authorized Amount of all Senior Bonds then proposed to be issued in the then current or any future Fiscal Year.

"*Senior Maximum Aggregate Annual Debt Service For Reserve Requirement*" means the computation of Senior Maximum Aggregate Annual Debt Service with respect to all Outstanding Senior Bonds participating in the Senior Reserve Fund or all Outstanding Senior Bonds participating in a separately created Senior Debt Service Reserve Fund, as the case may be, in the then current or any future Fiscal Year with such modifications in the assumptions thereof as is described in this definition. For purposes of determining the Senior Maximum Aggregate Annual Debt Service For Reserve Requirement, the annual debt service with respect to any Variable Rate Indebtedness will, upon the issuance of such Series, be calculated on the basis of the assumptions set forth in subsection (v) of the definition of Senior Aggregate Annual Debt Service, and the amount so determined will not require adjustment thereafter except as appropriate to reflect reductions in the outstanding principal amount of such Series. For purposes of the Senior Maximum Aggregate Annual Debt Service For Reserve Requirement, the annual debt service requirements assumed at the time of issuance of a Series of Senior Bonds containing Balloon Indebtedness or Senior Tender Indebtedness will not, with respect to such Series, require subsequent increases.

"*Senior Paying Agent*" or "*Senior Paying Agents*" means, with respect to the Senior Bonds or any Series of Senior Bonds, the banks, trust companies or other financial institutions or other entities designated in a Supplemental Senior Indenture or a resolution of the Department as the place where such Senior Bonds will be payable.

"*Senior Permitted Investments*" means, to the extent permitted to be invested by the Department by applicable law, the Charter and investment policy of the City, any of the following:

(1) Government Obligations,

(2) Obligations, debentures, notes or other evidences of indebtedness issued or guaranteed by any of the following instrumentalities or agencies of the United States of America: Federal Home Loan Bank System; Export Import Bank of the United States; Federal Financing Bank; Government National Mortgage Association; Federal National Mortgage Association; Student Loan Marketing Association; Federal Farm Credit Bureau; Farmers Home Administration; Federal Home Loan Mortgage Corporation; and Federal Housing Administration;

(3) Direct and general long-term obligations of any state, which obligations are rated in either of the two highest rating categories by Moody's if Moody's then maintains a rating on any of the Senior Bonds and by S&P if S&P then maintains a rating on any of the Senior Bonds;

(4) Direct and general short-term obligations of any state which obligations are rated in the highest rating category by Moody's if Moody's then maintains a rating on any of the Senior Bonds and by S&P if S&P then maintains a rating on any of the Senior Bonds;

(5) Interest-bearing demand or time deposits (including certificates of deposit) or interests in money market portfolios issued by state banks or trust companies or national banking associations that are members of the Federal Deposit Insurance Corporation ("*FDIC*") or by savings and loan associations that are members of the FDIC, which deposits or interests must either be (a) continuously and fully insured by FDIC and with banks that are rated at least "P-1" or "Aa" by Moody's if any of the Senior Bonds are then rated by Moody's and at least "A-1" or "AA" by S&P if any of the Senior Bonds are then rated by S&P or (b) fully secured by obligations described in item (1) or (2) of this definition of Senior Permitted Investments (i) which are valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at all times at least equal to the principal amount of the investment, (ii) held by the Senior Trustee (who will not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Senior Trustee, (iii) subject to a perfected first lien in favor of the Senior Trustee, and (iv) free and clear from all third-party liens;

(6) Long-term or medium-term corporate debt guaranteed by any corporation that is rated by both Moody's and S&P in either of their two highest rating categories;

(7) Repurchase agreements which are (a) entered into with banks or trust companies organized under state law, national banking associations, insurance companies or government bond dealers reporting to, trading with, and recognized as a primary dealer by, the Federal Reserve Bank of New York and which either are members of the Security Investors Protection Corporation or with a dealer or parent holding company that has an investment grade rating from Moody's if Moody's then maintains a rating on any of the Senior Bonds and from S&P if S&P then maintains a rating on any of the Senior Bonds and (b) fully secured by investments specified in Section (1) or (2) of this definition of Senior Permitted Investments (i) which are valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at least equal to the amount invested in the repurchase agreements, (ii) held by the Senior Trustee (who will not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Senior Trustee, (iii) subject to a perfected first lien in favor of the Senior Trustee and (iv) free and clear from all third-party liens;

(8) Prime commercial paper of a United States corporation, finance company or banking institution rated at least "P-1" by Moody's if Moody's then maintains a rating on any of the Senior Bonds and at least "A-1" by S&P if S&P then maintains a rating on any of the Senior Bonds;

(9) Shares of a diversified open-end management investment company (as defined in the Investment Company Act of 1940, as amended) or shares in a regulated investment company (as defined in Section 851(a) of the Code) that is (a) a money market fund that has been rated in one of the two highest rating categories by Moody's or S&P or (b) a money market fund or account of the Senior Trustee or any state or federal bank that is rated at least "P-1" or "Aa" by Moody's if Moody's then maintains a rating on any of the Senior Bonds and at least "A-1" or "AA" by S&P if S&P then maintains a rating on any of the Senior Bonds or whose one bank holding company parent is rated at least "P-1" or "Aa" by Moody's if Moody's then maintains a rating on any of the Senior Bonds and "A-1" or "AA" by S&P if S&P then maintains a rating on any of the Senior Bonds or that has a combined capital and surplus of not less than $50,000,000;

(10) Senior Investment Agreements; and

(11) Any other type of investment consistent with City policy in which the Department directs the Senior Trustee to invest provided that there is delivered to the Senior Trustee a certificate of an Authorized Representative stating that each of the rating agencies then maintaining a rating on the Senior Bonds has been informed of the proposal to invest in such investment and each of such rating agencies has confirmed that such investment will not adversely affect the rating then assigned by such rating agency to any of the Senior Bonds.

"*Senior Principal Amount*" or "*Senior principal amount*" means, as of any date of calculation, (i) with respect to any Capital Appreciation Senior Bond, the Accreted Value thereof (the difference between the stated amount to be paid at maturity and the Accreted Value being deemed unearned interest), (ii) with respect to any Original Issue Discount Senior Bond, the Accreted Value thereof, unless the Supplemental Senior Indenture under which such Senior Bond was issued will specify a different amount, in which case, the terms of the Supplemental Senior Indenture will control, and (iii) with respect to any other Senior Bonds, the principal amount of such Senior Bond payable at maturity.

"*Senior Program*" means a financing program, including but not limited to a Senior Commercial Paper Program, (i) which is authorized and the terms thereof approved by a resolution adopted by the Board and the items required under the Master Senior Indenture have been filed with the Senior Trustee, (ii) wherein the Board has authorized the issuance, from time to time, of notes, commercial paper or other indebtedness in an Senior Authorized Amount, and (iii) the Senior Authorized Amount of which has met the additional bonds test set forth in the Master Senior Indenture and the Outstanding amount of which may vary from time to time, but not exceed the Senior Authorized Amount.

"*Senior Program Bonds*" means Senior Bonds issued and Outstanding pursuant to a Senior Program, other than Unissued Senior Program Bonds.

"*Senior Qualified Swap*" means any Swap (a) whose Senior Designated Debt is all or part of a particular Series of Senior Bonds; (b) whose Swap Provider is a Senior Qualified Swap Provider or has been a Senior Qualified Swap Provider within the 60 day period preceding the date on which the calculation of Senior Annual Debt Service or Senior Aggregate Annual Debt Service is being made; (c) which has a term not greater than the term of the Senior Designated Debt or to a specified mandatory tender or redemption of such Senior Designated Debt; (d) which has been designated in writing to the Senior Trustee by the Department as a Senior Qualified Swap with respect to such Senior Bonds; and (e) which has been approved by S&P, if S&P has an outstanding rating on any Senior Bonds, and Moody's, if Moody's has an outstanding rating on the Senior Bonds.

"*Senior Qualified Swap Provider*" means a financial institution (a) whose senior long-term debt obligations, or whose obligations under any Senior Qualified Swap are guaranteed by a financial institution, or subsidiary of a financial institution, whose senior long-term debt obligations, are rated at least "Aa," in the case of Moody's and "AA," in the case of S&P, or the equivalent thereto in the case of any successor thereto, or (b) whose obligations under any Senior Qualified Swap are fully secured by obligations described in items (1) or (2) of the definition of Senior Permitted Investments which are (i) valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at all times at least equal to 105% of the principal amount of the investment, together with the interest accrued and unpaid thereon, (ii) held by the Senior Trustee (who will not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Senior Trustee, (iii) subject to a perfected first lien on behalf of the Senior Trustee, and (iv) free and clear from all third-party liens.

"*Senior Registrar*" means, with respect to the Senior Bonds or any Series of Senior Bonds, the bank, trust company or other entity designated in a Supplemental Senior Indenture or a resolution of the Department to perform the function of Senior Registrar under the Master Senior Indenture or any Supplemental Senior Indenture, and which bank, trust company or other entity has accepted the position in accordance with the Master Senior Indenture. The Senior Trustee will act as Senior Registrar with respect to the Series 2015DE Senior Bonds.

"*Senior Repayment Obligations*" means an obligation arising under a written agreement of the Department and a Credit Provider pursuant to which the Department has agreed to reimburse the Credit Provider for amounts paid through a Credit Facility to be used to pay debt service on any Senior Bonds or an obligation arising under a written agreement of the Department and a Liquidity Provider pursuant to which the Department has agreed to reimburse the Liquidity Provider for amounts paid through a Liquidity Facility to be used to purchase Senior Bonds.

"*Senior Reserve Fund*" means the trust fund created pursuant to the Master Senior Indenture and that is required to be funded for the purpose of providing additional security for the Outstanding Senior Bonds issued pursuant to the terms of the Senior Indenture and as specified in any Supplemental Senior Indenture as participating in the Senior Reserve Fund. The Department will specify in the Sixteenth Supplemental Senior Indenture that the Series 2015DE Senior Bonds will participate in the Senior Reserve Fund.

"*Senior Reserve Fund Surety Policy*" means an insurance policy or surety bond, or a letter of credit, deposited with the Senior Trustee for the credit of the Senior Reserve Fund in lieu of or partial substitution for cash or securities on deposit therein. The entity providing such Senior Reserve Fund Surety Policy will be rated, at the time such instrument is provided, in one of the two highest Rating Categories by both Moody's if Moody's is then maintaining a rating on the Senior Bonds and S&P if S&P is then maintaining a rating on the Senior Bonds.

"*Senior Reserve Requirement*" means, except as otherwise provided in a Supplemental Senior Indenture, an amount equal to the least of (i) Senior Maximum Aggregate Annual Debt Service For Reserve Requirement for all Series of Senior Bonds participating in the Senior Reserve Fund or for all Series of Senior Bonds participating in a separately created Senior Debt Service Reserve Fund created pursuant to a Supplemental Senior Indenture, as the case may be, (ii) ten percent of the principal amount of the Senior Bonds that have been issued and are participating in the Senior Reserve Fund or the Senior Bonds that have been issued and are participating in a separately created Senior Debt Service Reserve Fund created pursuant to a Supplemental Senior Indenture, as the case may be, less the amount of original issue discount with respect to any Senior Bond if such original issue discount exceeded 2% on such Senior Bond at the time of its original sale and (iii) 125% of the average Senior Aggregate Annual Debt Service For Reserve Requirement for all Series of Senior Bonds participating in the Senior Reserve Fund or for all Series of Senior Bonds participating in a separately created Senior Debt Service Reserve Fund created pursuant to a Supplemental Senior Indenture, as the case may be.

"*Senior Swap Termination Payment*" means an amount payable by the Department or a Senior Qualified Swap Provider, in accordance with a Senior Qualified Swap, to compensate the other party to the Senior Qualified Swap for any losses and costs that such other party may incur as a result of an event of default or the early termination of the obligations, in whole or in part, of the parties under such Senior Qualified Swap.

"*Senior Tender Indebtedness*" means any Senior Bonds or portions of Senior Bonds a feature of which is an option and/or an obligation on the part of the Bondholders, under the terms of such Senior Bonds, to tender all or a portion of such Senior Bonds to the Department, the Senior Trustee, the Senior Paying Agent or other fiduciary or agent or Credit Provider for payment or purchase and requiring that such Senior Bonds or portions of Senior Bonds be purchased if properly presented.

"*Senior Trustee*" means The Bank of New York Mellon Trust Company, N.A., formerly known as The Bank of New York Trust Company, N.A., as successor in interest to BNY Western Trust Company, as successor in interest to U.S. Trust Company of California, N.A., as trustee until a successor replaces it and, thereafter, means such successor.

"*Serial Senior Bonds*" means Senior Bonds for which no sinking installment payments are provided.

"*Series*" or "*series*" means Senior Bonds designated as a separate Series by a Supplemental Senior Indenture and, with respect to Senior Program Bonds or a Senior Commercial Paper Program, means the full Senior Authorized Amount of such program, regardless of when or whether issued, unless portions thereof are, by Supplemental Senior Indenture, designated as separate Series.

"*Series 2015DE Senior Bonds*" means collectively, the Series 2015D Senior Bonds and the Series 2015E Senior Bonds.

"*Series 2015D Senior Bonds*" means the $296,475,000 original principal amount of Senior Bonds issued under the Master Senior Indenture and the Sixteenth Supplemental Senior Indenture and designated "Department of Airports of the City of Los Angeles, California, Los Angeles International Airport, Senior Revenue Bonds, 2015 Series D."

"*Series 2015E Senior Bonds*" means the $27,850,000 original principal amount of Senior Bonds issued under the Master Senior Indenture and the Sixteenth Supplemental Senior Indenture and designated "Department of Airports of the City of Los Angeles, California, Los Angeles International Airport, Senior Revenue Bonds, 2015 Series E."

"*Significant Portion*" means, for purposes of the Master Senior Indenture, any LAX Airport Facilities or portions thereof which, if such facilities had been sold or disposed of by the Department at the beginning of an annual period which includes the month of commencement of the 12-month period ending on the day of such disposition would have resulted in a reduction in Net Pledged Revenues for such annual period of more than 4% when the actual Net Pledged Revenues for such annual period are decreased by the Pledged Revenues directly attributable to such LAX Airport Facilities and increased by the expenses of the Department directly attributable to such LAX Airport Facilities. The Department will notify Moody's, if Moody's then maintains a rating on any of the Senior Bonds, and S&P, if S&P then maintains a rating on any of the Senior Bonds, prior to the selling or disposing of a Significant Portion of any LAX Airport Facilities or portions thereof.

"*Sixteenth Supplemental Senior Indenture*" means the Sixteenth Supplemental Trust Indenture, to be dated as of November 1, 2015, by and between the Board, acting through the Department, and the Senior Trustee.

"*Specified LAX Project*" means a Project at Los Angeles International Airport or a group of alternative Projects which are described in a certificate of an Authorized Representative delivered to the Consultant preparing the certificate described in the additional bonds test under the Master Senior Indenture, the revenues and expenses of which Project or of the alternative Projects are to be taken into account by such Consultant in preparing the certificate described in the additional bonds test under the Master Senior Indenture.

"*State*" means the State of California.

"*Subordinated Obligation*" means any bond, note or other debt instrument issued or otherwise entered into by the Department which ranks junior and subordinate to the Senior Bonds and which may be paid from moneys constituting Pledged Revenues only if all LAX Maintenance and Operation Expenses and amounts of principal and interest which have become due and payable on the Senior Bonds whether by maturity, redemption or acceleration have been paid in full and the Department is current on all payments, if any, required to be made to replenish the Senior Reserve Fund and any Senior Debt Service Reserve Fund. "*Subordinated Obligations*" are not Senior Bonds for purposes of the Master Senior Indenture; provided, however, that the Department may henceforth by Supplemental Senior Indenture elect to have the provisions of the Master Senior Indenture applicable to the Senior Bonds apply to the Subordinated Obligations issued thereunder, except that such Subordinated Obligations will be secured on a junior and subordinate basis to the Senior Bonds from the Net Pledged Revenues. No bond, note or other instrument of indebtedness will be deemed to be a "*Subordinated Obligation*" for purposes of the Master Senior Indenture and payable on a subordinated basis from Net Pledged Revenues unless specifically designated by the Department as a "*Subordinated Obligation*" in a Supplemental Senior Indenture or other written instrument. In connection with any Subordinated Obligation with respect to which a Swap is in effect or proposes to be in effect, the term "*Subordinated Obligation*" includes, collectively, both such Subordinated Obligation and either such Swap or the obligations of the Department under each such Swap, as the context requires. The term "*Subordinated Obligations*" also includes a Swap or the obligations of the Department under such Swap which has been entered into in connection with a Subordinated Obligation, as the context requires, although none of the Subordinated Obligations with respect to which such Swap was entered into remain outstanding. The term "*Subordinated Obligation*" includes any Senior Swap Termination Payment under a Senior Qualified Swap with respect to any Senior Bonds payable on parity with Subordinated Obligations.

"*Subordinate Indenture*" means the Master Subordinate Indenture, together with all supplemental subordinate indentures.

"*Subordinate Obligation*" or "*Subordinate Obligations*" means any debt obligation of the Department issued as a taxable or tax-exempt obligation under and in accordance with the provisions of the Master Subordinate Indenture, including, but not limited to, bonds, notes, bond anticipation notes, commercial paper and other instruments creating an indebtedness of the Department, and obligations incurred through lease or installment purchase agreements or other agreements or certificates of participation therein and subordinate repayment obligations to the extent provided in the Master Subordinate Indenture.

"*Supplemental Senior Indenture*" means any document supplementing or amending the Master Senior Indenture or providing for the issuance of Senior Bonds and entered into as provided in the Master Senior Indenture.

"*Swap*" means any financial arrangement between the Department and a Swap Provider which provides that (a) each of the parties will pay to the other an amount or amounts calculated as if such amount were interest accruing during the term of the arrangement at a specified rate (whether fixed or a variable rate or measured against some other rate or index) on a Senior Designated Debt, and payable from time to time or at a designated time or times (whether before, during or after the term of the arrangement); (b) if such amount is to be paid *before* it is deemed to have accrued, the amount paid will reflect the present value of such future amount (i.e., an upfront premium), while an amount to be paid *after* it is deemed to have accrued will reflect the time value of such funds; (c) payment dates and calculated accrual rates need not be the same for each payor, but to the extent payment dates coincide, the arrangement may (but need not) provide that one will pay to the other any net amount due under such arrangement.

"*Swap Provider*" means a party to a Swap with the Department.

"*Synthetic Fixed Rate Debt*" means indebtedness issued by the Department which: (i) is combined, as Senior Designated Debt, with a Senior Qualified Swap and creates, in the opinion of a Consultant, a substantially fixed-rate maturity or maturities for a term not exceeding such maturity or maturities, or (ii) consisting of an arrangement in which two inversely related variable-rate securities are issued in equal principal amounts with interest based on off-setting indices resulting in a combined payment which is economically equivalent to a fixed rate.

"*Term Senior Bonds*" means Senior Bonds of a series which are payable on or before their specified maturity dates from sinking installment payments established pursuant to the Supplemental Senior Indenture for such series for that purpose and calculated to retire the Senior Bonds on or before their specified maturity dates.

"*Third Lien Obligation*" means any bond, note or other debt instrument issued or otherwise entered into by the Department which ranks junior and subordinate to the Senior Bonds and the Subordinated Obligations and which may be paid from moneys constituting Pledged Revenues only if all LAX Maintenance and Operation Expenses and amounts of principal and interest which have become due and payable on the Senior Bonds and the Subordinated Obligations whether by maturity, redemption or acceleration have been paid in full and the Department is current on all payments, if any, required to be made to replenish the Senior Reserve Fund, any Senior Debt Service Reserve Fund and any debt service reserve fund(s) established for the Subordinated Obligations. "*Third Lien Obligations*" are not Senior Bonds for purposes of the Master Senior Indenture; provided, however, that the Department may henceforth by Supplemental Senior Indenture elect to have the provisions of the Master Senior Indenture applicable to the Senior Bonds apply to the Third Lien Obligations issued thereunder, except that such Third Lien Obligations will be secured on a junior and subordinate basis to the Senior Bonds and the Subordinated Obligations from the Net Pledged Revenues. No bond, note or other instrument of indebtedness will be deemed to be a "*Third Lien Obligation*" for purposes of the Master Senior Indenture and payable on a subordinated basis from Net Pledged Revenues unless specifically designated by the Department as a "*Third Lien Obligation*" in a Supplemental Senior Indenture or other written instrument. In connection with any Third Lien Obligation with respect to which a Swap is in effect or proposes to be in effect, the term "*Third Lien Obligation*" includes, collectively, both such Third Lien Obligation and either such Swap or the obligations of the Department under each such Swap, as the context requires. The term "*Third Lien Obligations*" also includes a Swap or the obligations of the Department under such Swap which has been entered into in connection with a Third Lien Obligation, as the context requires, although none of the Third Lien Obligations with respect to which such Swap was entered into remain outstanding. The term "*Third Lien Obligation*" includes any Senior Swap Termination Payment under a Senior Qualified Swap with respect to any Senior Bonds or Subordinated Obligations payable on parity with Third Lien Obligations."

"*Transfer*" means for any Fiscal Year the amount of unencumbered funds on deposit or anticipated to be on deposit, as the case may be, on the first day of such Fiscal Year in the LAX Revenue Account (after all deposits and payments required by paragraphs FIRST through NINTH described under the caption "SUMMARY OF THE MASTER SENIOR INDENTURE—Withdrawals from LAX Revenue Account" below have been made as of the last day of the immediately preceding Fiscal Year).

"*Treasurer*" means the Treasurer of the City as set forth in the Charter.

"*Unenhanced Commercial Paper Program*" means a Senior Commercial Paper Program that is authorized to be issued without the support of a Credit Facility, provided such Senior Commercial Paper Program has received at least an investment grade short-term rating from the Rating Agencies.

"*Unissued Senior Program Bonds*" means the bonds, notes or other indebtedness authorized to be issued pursuant to a Senior Program and payable from Net Pledged Revenues, issuable in an amount up to the Senior Authorized Amount relating to such Senior Program, which have been approved for issuance by the Department pursuant to a resolution adopted by the Board and with respect to which Senior Program the items required pursuant to the Master Senior Indenture have been filed with the Senior Trustee but which have not yet been authenticated and delivered pursuant to the Senior Program documents.

"*United States Bankruptcy Code*" means Title 11 U.S.C., Section 101 et seq., as amended or supplemented from time to time, or any successor federal act.

"*United States Obligations*" means direct and general obligations of the United States of America, or obligations that are unconditionally guaranteed as to principal and interest by the United States of America, including, with respect only to direct and general obligations and not to guaranteed obligations, evidences of ownership of proportionate interests in future interest and/or principal payments of such obligations, provided that investments in such proportionate interests must be limited to circumstances wherein: (1) a bank or trust company acts as custodian and holds the underlying United States Obligations; (2) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States Obligations; and (3) the underlying United States Obligations are held in a special account separate from the custodian's general assets and are not available to satisfy any claim of the custodian, any person claiming through the custodian or any person to whom the custodian may be obligated. "*United States Obligations*" will include any stripped interest or principal portion of United States Treasury securities and any stripped interest portion of Resolution Funding Corporation securities.

"*Variable Rate Indebtedness*" means any Senior Bond or Senior Bonds the interest rate on which is not, at the time in question, fixed to maturity, excluding any commercial paper program.

SUMMARY OF THE MASTER SENIOR INDENTURE

In addition to certain information contained under the captions "DESCRIPTION OF THE SERIES 2015DE SENIOR BONDS" and "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015DE SENIOR BONDS" in the forepart of this Official Statement, the following is a summary of certain provisions of the Master Senior Indenture. Such summary is only a brief description of limited provisions of such document and is qualified in its entirety by reference to the full text of the Master Senior Indenture.

Grant to Secure Senior Bonds; Pledge of Pledged Revenues

To secure the payment of the interest, principal and premium, if any, on the Senior Bonds and the performance and observance by the Department of all the covenants, agreements and conditions expressed or implied in the Master Senior Indenture or contained in the Senior Bonds, the Department has pledged and assigned to the Senior Trustee and granted to the Senior Trustee a lien on and security interest in all right, title and interest of the Department in and to all of the following and provides that such lien and security interest will be prior in right to any other pledge, lien or security interest created by the Department in the following: (a) the Net Pledged Revenues, (b) all moneys and securities (excluding moneys and securities on deposit in any Rebate Fund) held from time to time by the Senior Trustee under the Master Senior Indenture, moneys and securities held in the Senior Reserve Fund or any Senior Debt Service Reserve Fund and any Senior Reserve Fund Surety Policy or Senior Debt Service Reserve Fund Surety Policy, provided at any time in satisfaction of all or a portion of the Senior Reserve Requirement, and to the extent provided in any Supplemental Senior Indenture moneys and securities held in any Senior Construction Fund whether or not held by the Senior Trustee, (c) earnings on amounts included in provisions (a) and (b) above (except to the extent excluded from the definition of "Pledged Revenues"), and (d) any and all other funds, assets, rights, property or interests therein, of every kind or description which may from time to time hereafter, by delivery or by writing of any kind, be sold, transferred, conveyed, assigned, pledged, mortgaged, granted or delivered to or deposited with the Senior Trustee as additional security under the Master Senior Indenture, for the equal and proportionate benefit and security of all Senior Bonds, all of which, regardless of the time or times of their authentication and delivery or maturity, will, with respect to the security provided by this Granting Clause, be of equal rank without preference, priority or distinction as to any Senior Bond over any other Senior Bond or Senior Bonds, except as to the timing of payment of the Senior Bonds. Any security or Credit Facility provided for specific Senior Bonds or a specific Series of Senior Bonds may, as provided by Supplemental Senior Indenture, secure only such specific Senior Bonds or Series of Senior Bonds and, therefore, will not be included as security for all Senior Bonds under the Master Senior Indenture and moneys and securities held in trust as provided in the Master Senior Indenture exclusively for Senior Bonds which have become due and payable and moneys and securities which are held exclusively to pay Senior Bonds which are deemed to have been paid under the Master Senior Indenture will be held solely for the payment of such specific Senior Bonds.

Senior Repayment Obligations Afforded Status of Senior Bonds

If a Credit Provider or Liquidity Provider makes payment of principal of and/or interest on a Senior Bond or advances funds to purchase or provide for the purchase of Senior Bonds and is entitled to reimbursement thereof, pursuant to a separate written agreement with the Department, but is not reimbursed, the Department's Senior Repayment Obligation under such written agreement may, if so provided in the written agreement, be afforded the status of a Senior Bond issued under the Master Senior Indenture, and, if afforded such status, the Credit Provider or Liquidity Provider will be the Bondholder and such Senior Bond will be deemed to have been issued at the time of the original Senior Bond for which the Credit Facility or Liquidity Facility was provided and will not be subject to the additional bonds test set forth in the Master Senior Indenture; provided, however, the payment terms of the Senior Bond held by the Credit Provider or Liquidity Provider under the Master Senior Indenture will be as follows (unless otherwise provided in the Supplemental Senior Indenture pursuant to which the Senior Bonds are issued or in the agreement with the Credit Provider or Liquidity Provider): interest will be due and payable semiannually and principal will be due and payable not less frequently than annually and in such annual amounts as to amortize the principal amount thereof in (i) 30 years or, (ii)(a) if shorter, a term extending to the maturity date of the enhanced Senior Bonds or (b) if later, the final maturity of the Senior Repayment Obligation under the written agreement, and providing substantially level Senior Annual Debt Service payments, using the rate of interest set forth in the written repayment agreement which would apply to the Senior Repayment Obligation as of the date such amortization schedule is fixed. The principal amortized as described in the prior sentence will bear interest in accordance with the terms of the Senior Repayment Obligation. Any amount which comes due on the Senior Repayment Obligation by its terms and which is in excess of the amount treated as principal of and interest on a Senior Bond will be payable from Net Pledged Revenues on a basis subordinate to the payment and/or funding of the Senior Bonds and any reserve funds established with respect to the Senior Bonds. This provision will not defeat or alter the rights of subrogation which any Credit Provider or Liquidity Provider may have under law or under the terms of any Supplemental Senior Indenture. The Senior Trustee may conclusively rely on a written certification by the Credit Provider or Liquidity Provider of the amount of such non-reimbursement and that such Senior Repayment Obligation is to be afforded the status of a Senior Bond under the Master Senior Indenture.

Obligations Under Senior Qualified Swap; Nonqualified Swap

The obligation of the Department to make Regularly Scheduled Swap Payments under a Senior Qualified Swap with respect to a Series of Senior Bonds may be on a parity with the obligation of the Department to make payments with respect to such Series of Senior Bonds and other Senior Bonds under the Master Senior Indenture, except as otherwise provided by a Supplemental Senior Indenture and elsewhere in the Master Senior Indenture with respect to any Senior Swap Termination Payments. The Department may provide in any Supplemental Senior Indenture that Regularly Scheduled Swap Payments under a Senior Qualified Swap will be secured by a pledge of or lien on the Net Pledged Revenues on a parity with the Senior Bonds of such Series and all other Senior Bonds, regardless of the principal amount, if any, of the Senior Bonds of such Series remaining Outstanding. The Senior Trustee will take all action consistent with the other provisions of the Master Senior Indenture as will be requested in writing by the Senior Qualified Swap Provider necessary to preserve and protect such pledge, lien and assignment and to enforce the obligations of the Department with respect thereto. In the event the action requested to be taken pursuant to the preceding sentence will require the Senior Trustee either to exercise the remedies granted in the Master Senior Indenture or to institute any action, suit or proceeding in its own name, the Senior Qualified Swap Provider will provide to the Senior Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred in connection therewith.

In the event that a Senior Swap Termination Payment or any other amounts other than as described in the previous paragraph are due and payable by the Department under a Senior Qualified Swap, such Senior Swap Termination Payment and any such other amounts will, unless otherwise provided in a Supplemental Senior Indenture, constitute an obligation of the Department payable from Pledged Revenues subordinate to its obligations to pay and/or fund LAX Maintenance and Operation Expenses, the Senior Bonds and any reserve funds established with respect to such Senior Bonds.

Obligations of the Department to make payments, including termination payments, under a Nonqualified Swap will, unless otherwise provided in a Supplemental Senior Indenture, constitute an obligation of the Department payable from Pledged Revenues subordinate to its obligations to pay and/or fund LAX Maintenance and Operation Expenses, the Senior Bonds and any reserve funds established with respect to such Senior Bonds.

Withdrawals from LAX Revenue Account

(a) Subject to the provisions of the Master Senior Indenture, the Department will cause the Treasurer to separately account for all of the revenues and expenses of each airport under the jurisdiction of the Department and to deposit all the revenues for each individual airport within the Airport System which are received pursuant to the Charter, in its respective revenue account within the Airport Revenue Fund. The Department has covenanted and agreed that all LAX Revenues, when and as received by or on behalf of the Department, will be deposited by the Department in the LAX Revenue Account and will, immediately upon receipt thereof, become subject to the lien and pledge of the Master Senior Indenture. The Department will notify the Treasurer of the pledge of, lien on, and interest in LAX Revenues granted by the Master Senior Indenture and will instruct the Treasurer that all such LAX Revenues, will be accounted for separately and apart from all other revenues, funds, accounts or other resources of the Department or the City. If the Treasurer fails to comply with such instructions, the Department will separately account for all of the revenues and expenses of each airport under the jurisdiction of the Department.

Earnings on the various funds and accounts created under any Supplemental Senior Indenture will be deposited as provided in such Supplemental Senior Indenture, except that (i) during the continuation of a Senior Event of Default earnings on such funds and accounts will be deposited into the Senior Debt Service Funds created under the respective Supplemental Senior Indentures, (ii) earnings on the Senior Construction Funds may, if so provided by Supplemental Senior Indenture, be retained in such Senior Construction Fund, (iii) pursuant to the provisions of the Master Senior Indenture, earnings on the Senior Reserve Fund may be retained in such fund under the conditions therein described, and (iv) earnings on any Senior Debt Service Reserve Fund may, if so provided by Supplemental Senior Indenture, be retained in such fund.

The sums of Pledged Revenues required by the Master Senior Indenture to be so set aside out of the LAX Revenue Account into the specified accounts will be set aside out of said LAX Revenue Account and not out of any other funds or revenues of the Department or the City, except as expressly authorized or permitted by the Department or the City. An Authorized Representative will direct that such sums be set aside through transfers or payments made at such time and in such amounts as may be necessary to comply with the provisions of this section.

The provisions in the Master Senior Indenture regarding the use of the LAX Revenue Account and the establishment of certain accounts therein are made pursuant to Section 635 of the Charter and are intended to be in full compliance therewith and will be so construed.

(b) Pledged Revenues credited to the LAX Revenue Account will be applied as follows and in the order set forth below:

FIRST To the payment of LAX Maintenance and Operation Expenses of the Airport System which are payable from LAX Revenues, which include payment to the City for services provided by it to LAX;

SECOND To the payment of amounts required to be deposited in the Senior Debt Service Funds as described in "—Deposits and Withdrawals from the Senior Debt Service Funds" below;

THIRD To the payment of amounts required to be deposited in the Senior Reserve Fund, pursuant to the Master Senior Indenture, and any Senior Debt Service Reserve Fund created pursuant to a Supplemental Senior Indenture;

FOURTH To the payment of debt service on any indebtedness (other than Outstanding Senior Bonds or Third Lien Obligations), including Subordinated Obligations, if any, but only to the extent a specific pledge of Pledged Revenues has been made in writing to the payment of debt service on such indebtedness;

FIFTH To the payment of any reserve requirement for debt service for any indebtedness (other than Outstanding Senior Bonds or Third Lien Obligations), including Subordinated Obligations, if any, but only to the extent a specific pledge of Pledged Revenues has been made in writing to the payment of any such reserve requirement on such indebtedness;

SIXTH To the payment of debt service on any indebtedness (other than Outstanding Senior Bonds or Subordinated Obligations), including Third Lien Obligations, if any, but only to the extent a specific pledge of Pledged Revenues has been made in writing to the payment of debt service on such indebtedness;

SEVENTH To the payment of any reserve requirement for debt service for any indebtedness (other than Outstanding Senior Bonds or Subordinated Obligations), including Third Lien Obligations, if any, but only to the extent a specific pledge of Pledged Revenues has been made in writing to the payment of any such reserve requirement on such indebtedness;

EIGHTH To the payment of the amounts required to be deposited in the LAX Maintenance and Operation Reserve Account which are payable from LAX Revenues as determined by the Department pursuant to Master Senior Indenture;

NINTH To the payment of such amounts as are directed by the Department for discretionary purposes as authorized by the Charter which include capital projects, defraying the expenses of any pension or retirement system applicable to the employees of the Department, defraying the Maintenance and Operation Expenses of the Airport System, for reimbursement to another department or office of the City on account of services rendered, or materials, supplies or equipment furnished to support purposes of the Department and for any other lawful purpose of the Department, but only to the extent any such purposes relate to LAX.

With respect to the application of Pledged Revenues described in subparagraphs FIRST, EIGHTH and NINTH above, the Department need apply only such amount of Pledged Revenues pursuant to the provisions of such subparagraphs as is necessary, after taking into account all other moneys and revenues available to the Department for application for such purposes, to pay the amounts required by such subparagraphs.

Notwithstanding the provisions of the Master Senior Indenture, nothing in the Master Senior Indenture will preclude the Department from making the payments described in paragraphs FIRST through NINTH above from sources other than Pledged Revenues.

Deposits and Withdrawals from the Senior Debt Service Funds

Deposits Into the Senior Debt Service Funds. The Senior Trustee will, at least 15 Business Days prior to each Payment Date on any Senior Bond, give the Department notice by telephone, promptly confirmed in writing, of the amount after taking account Senior Capitalized Interest, if any, on deposit in the Senior Debt Service Funds, required to be deposited with the Senior Trustee to make each required payment of principal and interest due on such Payment Date. With respect to any Series of Senior Bonds, the Supplemental Senior Indenture under which such Senior Bonds are issued may provide for different times and methods of notifying the Department of payment dates and amounts to accommodate the specific provisions of such Series and, in such event, the terms of such Supplemental Senior Indenture will control.

So long as any of the Senior Bonds are Outstanding, the Authorized Representative will deliver to the Treasurer, at least 10 Business Days prior to each Payment Date, as to each Series of Senior Bonds Outstanding, a written demand authenticated by the signature of the Chief Financial Officer requesting that the Treasurer, not later than 5 Business Days prior to each Payment Date, transfer from the LAX Revenue Account to the Senior Trustee for deposit in the Senior Debt Service Funds established in respect of each Series of Outstanding Senior Bonds the full amount required to pay the principal of and/or interest on Senior Bonds of that Series due on such Payment Date.

On any day on which the Senior Trustee receives funds from the Treasurer to be used to pay principal of or interest on Senior Bonds, the Senior Trustee will, if the amount received is fully sufficient to pay all amounts of principal and interest then due or becoming due on the next Payment Date, deposit such amounts into the respective Senior Debt Service Funds for the Series of Senior Bonds for which such payments were made and any excess funds will be applied to pay all amounts of principal and interest becoming due on any subsequent Payment Dates. Notwithstanding any of the foregoing provisions of this paragraph, no amount need be transferred from the LAX Revenue Account or otherwise deposited into any Senior Debt Service Fund for any Series of Senior Bonds for the payment of principal or interest, respectively, if the amount already on deposit therein and available for such purpose is sufficient to pay in full the amount of principal and/or interest, respectively, coming due on such Senior Bonds on the next succeeding Payment Date.

The Department may provide in any Supplemental Senior Indenture that, as to any Series of Senior Bonds Outstanding, any amounts required to be transferred to and paid into a Senior Debt Service Fund may be prepaid, in whole or in part, by being earlier transferred to and paid into that Senior Debt Service Fund, and in that event any subsequently scheduled transfer, or any part thereof, which has been so prepaid need not be made at the time appointed therefor. In any Supplemental Senior Indenture, the Department may provide that monies in the redemption account allocable to sinking fund installment payments of a Series may, at the discretion of the Department, be applied to the purchase and cancellation of such Series (at a price not greater than par) prior to notice of redemption of such Series. Such Senior Bonds so delivered or previously redeemed or purchased at the direction of the Department will be credited by the Senior Trustee at the principal amount thereof to the next scheduled sinking installment payments on Senior Bonds of such Series and any excess over the sinking installment payment deposit required on that date will be credited against future sinking installment deposits in such manner and order as the Department may determine in its discretion, and the scheduled principal amount of the Senior Bonds to be redeemed by operation of such sinking installment payments will be accordingly modified in such manner as the Department may determine and as specified to the Senior Trustee in writing.

Money set aside and placed in a Senior Debt Service Fund for any Series of Senior Bonds will remain therein until from time to time expended for the aforesaid purposes thereof and will not be used for any other purpose whatsoever, except that any such money so set aside and placed in a Senior Debt Service Fund may be temporarily invested as provided in the Master Senior Indenture, but such investment will not affect the obligation of the Department to cause the full amount required by the terms of this section to be available in a Senior Debt

Service Fund at the time required to meet payments of principal of and interest on Senior Bonds of the Series for which it is accumulated. Earnings on such investments upon written request of the Department may be transferred into the LAX Revenue Account, except that during the continuation of a Senior Event of Default, such earnings will remain in the Senior Debt Service Funds created under the respective Supplemental Senior Indentures.

Each Senior Debt Service Fund established to pay principal of and interest on any Series of Senior Bonds will be held by the Senior Trustee or any agent of the Senior Trustee, and amounts to be used to pay principal and interest on such Series, as received by the Senior Trustee or its agent, will be deposited therein and used for such purpose. Accounts and subaccounts will be created by the Senior Trustee or any agent of the Senior Trustee in the various Senior Debt Service Funds as requested in writing by the Authorized Representative and will be held by the Senior Trustee or such agents as will be provided by Supplemental Senior Indenture.

The moneys in each Senior Debt Service Fund established for any issue or Series will be held in trust and applied as provided in the Master Senior Indenture and in the Supplemental Senior Indenture, and pending the application of such amounts in accordance with the Master Senior Indenture and with the provisions of such Supplemental Senior Indenture will be subject to a lien on and security interest in favor of the holders of the Outstanding Senior Bonds of such Series."

Withdrawals From Senior Debt Service Funds. On each Payment Date for any Outstanding Senior Bonds, the Senior Trustee will pay to the owners of the Senior Bonds of a given Series from the appropriate Senior Debt Service Fund or Senior Debt Service Funds, an amount equal to the principal and interest becoming due on such Series of Senior Bonds.

On or before a mandatory redemption date from sinking installment payments for Term Senior Bonds of a Series of Senior Bonds, the Senior Trustee will transfer from the Senior Debt Service Fund to the redemption account for such Series an amount which, together with amounts on deposit therein and available for such purpose, is sufficient to make the sinking installment payment due on such mandatory redemption date. On each date on which Term Senior Bonds of a Series are to be mandatorily redeemed from sinking installment payments, the Senior Trustee will pay to the owners of Senior Bonds of such Series from the redemption account for such Series, an amount equal to the amount of interest and the principal amount of Term Senior Bonds of such Series to be mandatorily redeemed on such date.

On each date on which Senior Bonds of any Series will otherwise become subject to optional or mandatory redemption (other than from sinking installment payments) in accordance with the provisions of any Supplemental Senior Indenture, the Senior Trustee will pay to the owners of such Senior Bonds from the redemption account, an amount of interest and principal, and premium, if any, on such Senior Bonds to be mandatorily or optionally redeemed on said date. On or before such redemption date, in accordance with the Supplemental Senior Indenture pursuant to which such Senior Bonds are issued, the Department will have or will have caused to be deposited in the redemption account for such Series, an amount which, together with amounts on deposits therein and available for such purpose, is sufficient to pay the redemption price of such Senior Bonds on such redemption date.

The payments made by the Senior Trustee in this section will be made solely to the extent that moneys are on deposit in the appropriate Senior Debt Service Fund.

All money remaining in a Senior Debt Service Fund on the final Payment Date, in excess of the amount required to make provisions for the payment in full of the interest and/or the principal of the Senior Bonds of the Series for which that Senior Debt Service Fund was established or the payment of amounts required to be rebated, pursuant to the Code, to the United States of America with respect to Senior Bonds of that Series, will be returned to the Department and deposited by the Department in the LAX Revenue Account.

The Senior Trustee will, at least two Business Days prior to each Payment Date on any Senior Bond, or as otherwise directed in any Supplemental Senior Indenture, give the Chief Financial Officer notice by telephone, promptly confirmed in writing, of any additional amount required to be deposited with the Senior Trustee to pay the amount required to be paid on such Payment Date in respect of such Senior Bond, in the event the amount then on deposit in any Senior Debt Service Fund is insufficient to pay the amounts due on any Series of Senior Bonds on such Payment Date. With respect to any Series of Senior Bonds, the Supplemental Senior Indenture under which such Senior Bonds are issued may provide for different times and methods of notifying the Department of payment dates and amounts to accommodate the specific provisions of such Series and, in such event, the terms of such Supplemental Senior Indenture will control.

If, on any Payment Date, the Senior Trustee does not have sufficient amounts in the Senior Debt Service Funds (without regard to any amounts which may be available in the Senior Reserve Fund or any Senior Debt Service Reserve Fund) to pay in full with respect to Senior Bonds of all Series all amounts of principal and/or interest due on such date, the Senior Trustee will allocate the total amount which is available to make payment on such day (without regard to any amounts in the Senior Reserve Fund or any Senior Debt Service Reserve Fund) as follows: first to the payment of past due interest on Senior Bonds of any Series, in the order in which such interest came due, then to the payment of past due principal on Senior Bonds of any Series, in the order in which such principal came due, then to the payment of interest then due and payable on the Senior Bonds of each Series due on such Payment Date and, if the amount available will not be sufficient to pay in full all interest on the Senior Bonds then due, then *pro rata* among the Series according to the amount of interest then due and second to the payment of principal then due on the Senior Bonds and, if the amount available will not be sufficient to pay in full all principal on the Senior Bonds then due, then *pro rata* among the Series according to the Senior Principal Amount then due on the Senior Bonds.

If the Senior Reserve Fund or any Senior Debt Service Reserve Fund (or a Credit Facility provided in lieu thereof) have been used to make payments on the Senior Bonds secured thereby, then the Department may be required by Supplemental Senior Indenture to replenish the Senior Reserve Fund or any Senior Debt Service Reserve Fund or reimburse the Credit Provider from Net Pledged Revenues provided that (a) no amount from Net Pledged Revenues may be used for such purpose until all payments of principal of and interest on all Senior Bonds which have become due and payable will have been paid in full, (b) the required payments to replenish the Senior Reserve Fund and any Senior Debt Service Reserve Fund or reimburse the Credit Provider will be due in no more than twelve (12) substantially equal monthly installments commencing in the month following any such withdrawal and (c) if the aggregate amount of payments due on any date to replenish the Senior Reserve Fund or any Senior Debt Service Reserve Fund or reimburse the Credit Provider exceeds the amount available for such purposes, the payments made to the Senior Trustee for such purpose will be allocated among the Senior Reserve Fund and any Senior Debt Service Reserve Fund and the Credit Provider pro rata on the basis of the Outstanding Senior Principal Amount of Senior Bonds secured thereby.

Notwithstanding the foregoing, the Department may, by Supplemental Senior Indenture, provide for different provisions and timing of deposits with the Senior Trustee and different methods of paying principal of or interest on Senior Bonds of any Series depending upon the terms of such Series of Senior Bonds and may provide for payment through a Credit Facility with reimbursement to the Credit Provider from the respective Senior Debt Service Fund created for the Series of Senior Bonds for which such Credit Facility is provided.

If Net Pledged Revenues are at any time insufficient to make the deposits required to make payments on the Senior Bonds, the Department may, at its election, pay to the Senior Trustee funds from any available sources with the direction that such funds be deposited into the Senior Debt Service Funds or into a specified account or accounts or subaccount or subaccounts therein.

Additional Security

The pledge of Net Pledged Revenues and the other security provided in the Granting Clauses of the Master Senior Indenture, secure all Senior Bonds issued under the terms of the Master Senior Indenture on an equal and ratable basis, except as to the timing of such payments. The Department may, however, in its discretion, provide additional security or credit enhancement for specified Senior Bonds or Series of Senior Bonds with no obligation to provide such additional security or credit enhancement to other Senior Bonds.

Payment of Principal and Interest

The Department has covenanted and agreed that it will duly and punctually pay or cause to be paid from the Net Pledged Revenues and to the extent thereof the principal of, premium, if any, and interest on every Senior Bond at the place and on the dates and in the manner set forth in the Master Senior Indenture, in the Supplemental Senior Indentures and in the Senior Bonds specified, according to the true intent and meaning thereof, and that it will faithfully do and perform all covenants and agreements in the Senior Indenture and in the Senior Bonds contained, provided that the Department's obligation to make payment of the principal of, premium, if any, and interest on the Senior Bonds will be limited to payment from the Net Pledged Revenues, the funds and accounts pledged therefor in the Granting Clauses of the Master Senior Indenture and any other source which the Department may specifically provide for such purpose and no Bondholder will have any right to enforce payment from any other funds of the Department.

Subordinated Obligations and Third Lien Obligations

(a) The Department may, from time to time, incur indebtedness which is subordinate to the Senior Bonds and which indebtedness is, in the Master Senior Indenture, referred to as Subordinated Obligations. Such indebtedness will be incurred at such times and upon such terms as the Department will determine, provided that:

(i) Any Supplemental Senior Indenture authorizing the issuance of any Subordinated Obligations will specifically state that such lien on or security interest granted in the Net Pledged Revenues is junior and subordinate to the lien on and security interest in such Net Pledged Revenues and other assets granted to secure the Senior Bonds; and

(ii) Payment of principal of and interest on such Subordinated Obligations will be permitted, provided that all deposits required to be made to pay LAX Maintenance and Operation Expenses and to the Senior Trustee to be used to pay debt service on the Senior Bonds and to replenish the Senior Reserve Fund or a Senior Debt Service Reserve Fund are then current in accordance with the provisions of the Master Senior Indenture.

(b) The Department may, from time to time, incur indebtedness which is subordinate to the Senior Bonds and any Subordinated Obligations and which indebtedness is, in the Master Senior Indenture, referred to as Third Lien Obligations. Such indebtedness will be incurred at such times and upon such terms as the Department will determine, provided that:

(i) Any Supplemental Senior Indenture authorizing the issuance of any Third Lien Obligations will specifically state that such lien on or security interest granted in the Net Pledged Revenues is junior and subordinate to the lien on and security interest in such Net Pledged Revenues and other assets granted to secure the Senior Bonds and the Subordinated Obligations; and

(ii) Payment of principal of and interest on such Third Lien Obligations will be permitted, provided that all deposits required to be made to pay LAX Maintenance and Operation Expenses, to the Senior Trustee to be used to pay debt service on the Senior Bonds and to replenish the Senior Reserve Fund or a Senior Debt Service Reserve Fund, and to pay debt service on the Subordinated Obligations and to replenish any debt service reserve fund established for the Subordinated Obligations are then current in accordance with the provisions of the Master Senior Indenture.

LAX Special Facilities and LAX Special Facility Obligations

The Department is permitted to designate new or existing LAX Airport Facilities as LAX Special Facilities as permitted in this section. The Department may, from time to time, and subject to the terms and conditions set forth below, (i) designate a separately identifiable existing facility or improvement or planned facility or improvement as an "LAX Special Facility," (ii) pursuant to an indenture other than the Senior Indenture and without a pledge of any Pledged Revenues (except as otherwise provided in (iv) below), incur debt primarily for the purpose of acquiring, constructing, renovating or improving or providing financing or refinancing to a third party to acquire, construct, renovate or improve, such facility or improvement, (iii) provide that the contractual payments derived from or related to such LAX Special Facility, together with other income and revenues available to the Department from such LAX Special Facility to the extent necessary to make the payments required by clause (1) of the second succeeding paragraph, be "LAX Special Facilities Revenue" and not included as Pledged Revenues, unless otherwise provided in any supplemental indenture, and (iv) provide that the debt so incurred will be an "LAX Special Facility Obligation" and the principal of and interest thereon will be payable solely from the LAX Special Facilities Revenue and the proceeds of such LAX Special Facility Obligation set aside exclusively to pay debt service on such LAX Special Facility Obligation (except the Department may, in its sole discretion, determine to make Pledged Revenues or such other moneys not included in Pledged Revenues available (through a specific pledge or otherwise and subject to any covenants or other provisions of the Master Senior Indenture or such other indentures or agreements of the Department) to the payment of the principal of and interest on such LAX Special Facility Obligation in such amounts and at such times as may be agreed to by the Department). The Department may from time to time refinance any such LAX Special Facility Obligations with other LAX Special Facility Obligations.

LAX Special Facility Obligations will be payable as to principal, redemption premium, if any, and interest solely from (a) LAX Special Facilities Revenue, which will include contractual payments derived by the Department under and pursuant to a contract (which may be in the form of a lease) relating to an LAX Special Facility by and between the Department and another person, firm or corporation, either public or private, as will undertake the operation of an LAX Special Facility, (b) proceeds of such LAX Special Facility Obligations set aside exclusively to pay debt service on such LAX Special Facility Obligations, if any, and (c) such Pledged Revenues or other moneys not included in Pledged Revenues made available by the Department as provided in clause (iv) of the previous paragraph, if any.

No LAX Special Facility Obligations will be issued by the Department unless there has been filed with the Senior Trustee a certificate of an Authorized Representative stating that:

(1) The estimated LAX Special Facilities Revenue pledged to the payment of the LAX Special Facility Obligations, the proceeds of such LAX Special Facility Obligations set aside exclusively to pay debt service on such LAX Special Facility Obligations, if any, and such Pledged Revenues or other moneys made available by the Department pursuant to clause (iv) of the first paragraph of this section, if any, will be at least sufficient, to pay the principal of and interest on such LAX Special Facility Obligations as and when the same become due and payable, all costs of operating and maintaining such LAX Special Facility not paid for by the operator thereof or by a party other than the Department and all sinking fund, reserve or other payments required by the resolution or indenture authorizing the LAX Special Facility Obligations as the same become due; and

(2) With respect to the designation of any separately identifiable existing LAX Airport Facilities or LAX Airport Facility as an "LAX Special Facility" or "LAX Special Facilities", the estimated Pledged Revenues and Net Pledged Revenues, calculated without including the new LAX Special Facilities Revenue, the proceeds of any LAX Special Facility Obligations set aside exclusively to pay debt service on such LAX Special Facility Obligations or any Pledged Revenues or other moneys made available by the Department pursuant to clause (iv) of the first paragraph of this section, if any, and without including any operation and maintenance expenses of the LAX Special Facility as LAX Maintenance and Operation Expenses, will be sufficient so that the Department will be in compliance with the rate covenant set forth in the Master Senior Indenture during each of the first five complete Fiscal Years immediately following the anticipated closing date of such transaction or financing; and

(3) No Senior Event of Default then exists under the Master Senior Indenture.

To the extent LAX Special Facilities Revenue received by the Department during any Fiscal Year will exceed the amounts required to be paid pursuant to clause (1) of the immediately preceding paragraph for such Fiscal Year, such excess LAX Special Facilities Revenue, to the extent not otherwise encumbered or restricted, may constitute Pledged Revenues as determined by the Department.

Notwithstanding any other provision of this section, at such time as the LAX Special Facility Obligations issued for an LAX Special Facility including LAX Special Facility Obligations issued to refinance LAX Special Facility Obligations are fully paid or otherwise discharged, all revenues of the Department from such facility will be included as Pledged Revenues.

Maintenance and Operation of LAX Airport Facilities

Subject to the transfer of any LAX Airport Facilities pursuant to the provisions of the Master Senior Indenture, the Department has covenanted that the LAX Airport Facilities will at all times be operated and maintained in good working order and condition and that all lawful orders of any governmental agency or authority having jurisdiction in the premises will be complied with (provided the Department will not be required to comply with any such orders so long as the validity or application thereof will be contested in good faith), and that all licenses and permits necessary to construct or operate any of the LAX Airport Facilities will be obtained and maintained and that all necessary repairs, improvements and replacements of the LAX Airport Facilities will be made, subject to sound business judgment. Subject to the transfer of any LAX Airport Facilities pursuant to the provisions of the Master Senior Indenture, the Department will, from time to time, duly pay and discharge, or cause to be paid and discharged, except to the extent the imposition or payment thereof is being contested in good faith by the Department, all taxes (if any), assessments or other governmental charges lawfully imposed upon the LAX Airport Facilities or upon any part thereof, or upon the Pledged Revenues, when the same will become due, as well as any lawful claim for labor, materials or supplies or other charges which, if unpaid, might by law become a lien or charge upon the Pledged Revenues or LAX Airport Facilities or any part thereof constituting part of Los Angeles International Airport.

Insurance; Application of Insurance Proceeds

Subject, in each case, to the condition that insurance is obtainable at reasonable rates and upon reasonable terms and conditions:

(1) the Department will procure and maintain or cause to be procured and maintained commercial insurance or provide Qualified Self Insurance with respect to the facilities constituting Los Angeles International Airport and public liability insurance in the form of commercial insurance or Qualified Self Insurance and, in each case, in such amounts and against such risks as are, in the judgment of the Department, prudent and reasonable taking into account, but not being controlled by, the amounts and types of insurance or self-insured programs provided by similar airports;

(2) the Department will procure and maintain reasonable fidelity insurance or bonds on the position of Chief Financial Officer and on any other employees of the Board or the Department who handle or are responsible for funds of the Department; and

(3) the Department will place on file with the Senior Trustee annually within 120 days after the close of each Fiscal Year a certificate of an Authorized Representative containing a summary of all insurance policies and self-insured programs then in effect with respect to Los Angeles International Airport and the operations of the Department. The Senior Trustee may conclusively rely upon such certificate and will not be responsible for the sufficiency or adequacy of any insurance required in the Master Senior Indenture or obtained by the Department.

"Qualified Self Insurance" means insurance maintained through a program of self insurance or insurance maintained with a fund, company or association in which the Department may have a material interest and of which the Department may have control, either singly or with others. Each plan of Qualified Self Insurance will be established in accordance with law, will provide that reserves be established or insurance acquired in amounts adequate to provide coverage which the Department determines to be reasonable to protect against risks assumed under the Qualified Self Insurance plan, including any potential retained liability in the event of the termination of such plan of Qualified Self Insurance, and such self-insurance program will be reviewed at least once every 12 months by a Consultant who will deliver to the Department a report on the adequacy of the reserves established thereunder. If the Consultant determines that such reserves are inadequate, he will make a recommendation as to the amount of reserves that should be established and maintained, and the Department will comply with such recommendation unless it can establish to the satisfaction of and receive a certification from a Consultant that a lower amount is reasonable to provide adequate protection to the Department.

If, as a result of any event, any part of an LAX Airport Facility or any LAX Airport Facilities is destroyed or severely damaged, the Department will create within the LAX Revenue Account a special subaccount and will credit the Net Proceeds received as a result of such event of damage or destruction to such subaccount and such Net Proceeds will, within a reasonable period of time taking into account any terms under which insurance proceeds are paid and any insurance restrictions upon the use or timing of the use of insurance proceeds, be used to: (1) repair or replace the LAX Airport Facilities, or portion thereof, which were damaged or destroyed, (2) provide additional revenue-producing LAX Airport Facilities, (3) redeem Senior Bonds, or (4) create an escrow fund pledged to pay specified Senior Bonds and thereby cause such Senior Bonds to be deemed to be paid as provided in the Master Senior Indenture; provided, however, that the Department will first deliver to the Senior Trustee a certificate of a Consultant showing that, after taking into account the use of the Net Proceeds for the redemption of such specified Senior Bonds, the rate covenant set forth in the Master Senior Indenture would, nevertheless, be met.

Transfer of LAX Airport Facility or LAX Airport Facilities

The Department will not, except as permitted below transfer, sell or otherwise dispose of an LAX Airport Facility or LAX Airport Facilities. For purposes of this section, any transfer of an asset over which the Department retains substantial control in accordance with the terms of such transfer will not, for so long as the Department has such control, be deemed a disposition of an LAX Airport Facility or LAX Airport Facilities.

The Department may transfer, sell or otherwise dispose of LAX Airport Facilities only if such transfer, sale or disposition complies with one or more of the following provisions:

(a) The property being disposed of is inadequate, obsolete or worn out; or

(b) The property proposed to be disposed of and all other LAX Airport Facilities disposed of during the 12-month period ending on the day of such transfer (but excluding property disposed of under (a) above), will not, in the aggregate, constitute a Significant Portion, the proceeds are deposited into the LAX Revenue Account to be used as described below and the Department believes that such disposal will not prevent it from fulfilling its obligations under the Senior Indenture; or

(c) Prior to the disposition of such property, there is delivered to the Senior Trustee a certificate of a Consultant to the effect that notwithstanding such disposition, but taking into account the use of such proceeds in accordance with the expectations of the Department as evidenced by a certificate of an Authorized Representative, the Consultant estimates that Department will be in compliance with the rate covenant set forth in the Master Senior Indenture during each of the five Fiscal Years immediately following such disposition.

LAX Airport Facilities which were financed with the proceeds of obligations the interest on which is then excluded from gross income for federal income tax purposes will not be disposed of, except under the terms of provision (a) above, unless the Department has first received a written opinion of Bond Counsel to the effect that such disposition and the application of any disposition proceeds thereof will not cause the interest on such obligations to become includable in gross income for federal income tax purposes.

No such disposition will be made which would cause the Department to be in default of any other covenant contained in the Master Senior Indenture.

Investments

Moneys held by the Senior Trustee in the funds and accounts created under the Master Senior Indenture and under any Supplemental Senior Indenture will be invested and reinvested as directed by the Department, in Senior Permitted Investments subject to the restrictions set forth in the Master Senior Indenture and such Supplemental Senior Indenture and subject to the investment restrictions imposed upon the Department by the Charter and the laws of the State. The Department will direct such investments by written certificate (upon which the Senior Trustee may conclusively rely) of an Authorized Representative or by telephone instruction followed by prompt written confirmation by an Authorized Representative; in the absence of any such instructions, the Senior Trustee will, to the extent practicable, invest in Senior Permitted Investments specified in clause (9) of the definition thereof. The Senior Trustee will not be liable for any loss resulting from following the written directions of the Department or as a result of liquidating investments to provide funds for any required payment, transfer, withdrawal or disbursement from any fund or account in which such Senior Permitted Investment is held. The Senior Trustee may buy or sell any Senior Permitted Investment through its own (or any of its affiliates) investment department.

Defeasance

Senior Bonds or portions thereof (such portions to be in integral multiples of the authorized denomination) which have been paid in full or which are deemed to have been paid in full will no longer be secured by or entitled to the benefits of the Master Senior Indenture except for the purposes of payment from moneys or Government Obligations held by the Senior Trustee or a Senior Paying Agent for such purpose. When all Senior Bonds which have been issued under the Master Senior Indenture have been paid in full or are deemed to have been paid in full, and all other sums payable under the Master Senior Indenture by the Department, including all necessary and proper fees, compensation and expenses of the Senior Trustee, the Senior Registrar and the Senior Paying Agent, have been paid or are duly provided for, then the right, title and interest of the Senior Trustee in and to the Net Pledged Revenues and the other assets pledged to secure the Senior Bonds under the Master Senior Indenture will thereupon cease, terminate and become void, and thereupon the Senior Trustee will cancel, discharge and release the Master Senior Indenture, will execute, acknowledge and deliver to the Department such instruments as will be requisite to evidence such cancellation, discharge and release and will assign and deliver to the Department any property and revenues at the time subject to the Master Senior Indenture which may then be in the Senior Trustee's possession, except funds or securities in which such funds are invested and are held by the Senior Trustee or the Senior Paying Agent for the payment of the principal of, premium, if any, and interest on the Senior Bonds.

A Senior Bond will be deemed to be paid within the meaning of the Master Senior Indenture when payment of the principal, interest and premium, if any, either (a) will have been made or caused to be made in accordance with the terms of the Senior Bonds and the Master Senior Indenture or (b) will have been provided for by depositing with the Senior Trustee in trust and setting aside exclusively for such payment, (i) moneys sufficient to make such payment and/or (ii) noncallable Government Obligations, maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to make such payment. At such times as Senior Bonds will be deemed to be paid under the Master Senior Indenture, such Senior Bonds will no longer be secured by or entitled to the benefits of the Master Senior Indenture, except for the purposes of payment from such moneys or Government Obligations.

Any deposit under clause (b) of the foregoing paragraph will be deemed a payment of such Senior Bonds. Once such deposit will have been made, the Senior Trustee will notify all holders of the affected Senior Bonds that the deposit required by (b) above has been made with the Senior Trustee and that such Senior Bonds are deemed to have been paid in accordance with the Master Senior Indenture. No notice of redemption will be required at the time of such defeasance or prior to such date as may be required by the Supplemental Senior Indenture under which such Senior Bonds were issued. The Department may at any time, prior to issuing such notice of redemption as may be required by the Supplemental Senior Indenture under which such Senior Bonds were issued, modify or otherwise change the scheduled date for the redemption or payment of any Senior Bond deemed to be paid under the terms of the foregoing paragraph in accordance with the terms of the Senior Bonds or the Master Senior Indenture subject to (a) receipt of an approving opinion of nationally recognized Bond Counsel that such action will not adversely affect the tax-exemption of any Senior Bond or Senior Bonds then outstanding and (b) receipt of an approving opinion of a nationally recognized accounting firm that there are sufficient moneys and/or Government Obligations to provide for the payment of such Senior Bonds. Notwithstanding anything in the Master Senior Indenture to the contrary, monies from the trust or escrow established for the defeasance of Senior Bonds may be withdrawn and delivered to the Department so long as the requirements of subparagraphs (a) and (b) above are met prior to or concurrently with any such withdrawal.

Senior Events of Default and Remedies

Senior Events of Default. Each of the following events will constitute and be referred to as a "*Senior Event of Default*":

(a) a failure to pay the principal of or premium, if any, on any of the Senior Bonds when the same will become due and payable at maturity or upon redemption;

(b) a failure to pay any installment of interest on any of the Senior Bonds when such interest will become due and payable;

(c) a failure to pay the purchase price of any Senior Bond when such purchase price will be due and payable upon an optional or mandatory tender date as provided in the Supplemental Senior Indenture;

(d) a failure by the Department to observe and perform any covenant, condition, agreement or provision (other than as specified in paragraphs (a), (b) and (c) above) that are to be observed or performed by the Department and which are contained in the Master Senior Indenture or a Supplemental Senior Indenture, which failure, except for a violation under the rate covenant set forth in the Master Senior Indenture which will be controlled by the provisions set forth therein, will continue for a period of 90 days after written notice, specifying such failure and requesting that it be remedied, will have been given to the Department by the Senior Trustee, which notice may be given at the discretion of the Senior Trustee and will be given at the written request of holders of 25% or more of the Senior Principal Amount of the Senior Bonds then Outstanding, unless the Senior Trustee, or the Senior Trustee and holders of Senior Bonds in a Senior Principal Amount not less than the Senior Principal Amount of Senior Bonds the holders of which requested such notice, will agree in writing to an extension of such period prior to its expiration; provided, however, that the Senior Trustee or the Senior Trustee and the holders of such principal amount of Senior Bonds will be deemed to have agreed to an extension of such period if corrective action is initiated by the Department within such period and is being diligently pursued until such failure is corrected;

(e) bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, including without limitation proceedings under Chapter 9 or 11 of the United States Bankruptcy Code (as the same may from time to time be hereafter amended), or other proceedings for relief under any federal or state bankruptcy law or similar law for the relief of debtors are instituted by or against the Department and, if instituted against the Department, said proceedings are consented to or are not dismissed within 60 days after such institution; or

(f) the occurrence of any other Senior Event of Default as is provided in a Supplemental Senior Indenture.

Remedies.

(a) Upon the occurrence and continuance of any Senior Event of Default, the Senior Trustee in its discretion may, and upon the written direction of the holders of 25% or more of the Senior Principal Amount of the Senior Bonds then Outstanding and receipt of indemnity to its satisfaction, will, in its own name and as the Senior Trustee of an express trust:

> (i) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Bondholders, and require the Department to carry out any agreements with or for the benefit of the Bondholders and to perform its or their duties under the Charter or any other law to which it is subject and the Master Senior Indenture, provided that any such remedy may be taken only to the extent permitted under the applicable provisions of the Master Senior Indenture;
>
> (ii) bring suit upon the Senior Bonds;
>
> (iii) commence an action or suit in equity to require the Department to account as if it were the trustee of an express trust for the Bondholders; or
>
> (iv) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Bondholders.

(b) The Senior Trustee will be under no obligation to take any action with respect to any Senior Event of Default unless the Senior Trustee has actual knowledge of the occurrence of such Senior Event of Default.

(c) Except with respect to a Credit Provider or a Liquidity Provider as provided in a Supplemental Senior Indenture or a written agreement between the Department and a Credit Provider or a Liquidity Provider, in no event, upon the occurrence and continuation of a Senior Event of Default will the Senior Trustee, the Holders, a Credit Provider, a Liquidity Provider or any other party have the right to accelerate the payment of principal of and interest on the Senior Bonds Outstanding.

Bondholders' Right To Direct Proceedings. Anything in the Master Senior Indenture to the contrary notwithstanding, holders of not less than 51% in aggregate Senior Principal Amount of the Senior Bonds then Outstanding will have the right, at any time, by an instrument in writing executed and delivered to the Senior Trustee, to direct the time, method and place of conducting all remedial proceedings available to the Senior Trustee under the Master Senior Indenture to be taken in connection with the enforcement of the terms of the Master Senior Indenture or exercising any trust or power conferred on the Senior Trustee by the Master Senior Indenture; provided that such direction will not be otherwise than in accordance with the provisions of the law and the Master Senior Indenture and that there has been provided to the Senior Trustee security and indemnity satisfactory to the Senior Trustee against the costs, expenses and liabilities to be incurred as a result thereof by the Senior Trustee.

Limitation on Right To Institute Proceedings. No Bondholder will have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust or power under the Master Senior Indenture, or any other remedy under the Master Senior Indenture or on such Senior Bonds, unless such Bondholder or Bondholders previously has given to the Senior Trustee written notice of a Senior Event of Default as hereinabove provided and unless also holders of 25% or more of the Senior Principal Amount of the Senior Bonds then Outstanding will have made written request of the Senior Trustee to do so, after the right to institute such suit, action or proceeding under the Master Senior Indenture will have accrued, and will have afforded the Senior Trustee a reasonable opportunity to proceed to institute the same in either its or their name, and unless there also will have been offered to the Senior Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Senior Trustee will not have complied with such request within a reasonable time; and such notification, request and offer of indemnity are declared in every such case, at the option of the Senior Trustee, to be conditions precedent to the institution of such suit, action or proceeding; it being understood and intended that no one or more of the Bondholders will have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Master Senior Indenture, or to enforce any right under the Master Senior Indenture or under the Senior Bonds, except in the manner provided in the Master Senior Indenture, and that all suits, actions and proceedings at law or in equity will be instituted, had and maintained in the manner provided in the Master Senior Indenture and for the equal benefit of all Bondholders.

Application of Moneys. If a Senior Event of Default has occurred and is continuing, all amounts then held or any moneys received by the Senior Trustee, by any receiver or by any Bondholder pursuant to any right given or action taken under the provisions of the Master Senior Indenture (which will not include moneys provided through a

Credit Facility, which moneys will be restricted to the specific use for which such moneys were provided), after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Senior Trustee (including attorneys' fees and disbursements), will be applied as follows: (a) first, to the payment to the persons entitled thereto of all installments of interest then due on the Senior Bonds, with interest on overdue installments, if lawful, at the rate per annum as provided in any Supplemental Senior Indenture, as the case may be, in the order of maturity of the installments of such interest and, if the amount available will not be sufficient to pay in full any particular installment of interest, then to the payment ratably, according to the amounts due on such installment, and (b) second, to the payment to the persons entitled thereto of the unpaid principal amount of any of the Senior Bonds which will have become due with interest on such Senior Bonds at such rate as provided in a Supplemental Senior Indenture from the respective dates upon which they became due and, if the amount available will not be sufficient to pay in full Senior Bonds on any particular date determined to be the payment date, together with such interest, then to the payment ratably, according to the amount of principal and interest due on such date, in each case to the persons entitled thereto, without any discrimination or privilege.

Whenever moneys are to be applied pursuant to the provisions of this section, such moneys will be applied at such times, and from time to time, as the Senior Trustee will determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Senior Trustee will apply such funds, it will fix the date (which will be an interest Payment Date unless it will deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal and interest to be paid on such date will cease to accrue. The Senior Trustee will give notice of the deposit with it of any such moneys and of the fixing of any such date by Mail to all Bondholders and will not be required to make payment to any Bondholder until such Senior Bonds will be presented to the Senior Trustee for appropriate endorsement or for cancellation if fully paid.

The Senior Trustee

Duties. If a Senior Event of Default has occurred and is continuing, the Senior Trustee will exercise its rights and powers and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs. The Senior Trustee will perform the duties set forth in the Senior Indenture and no implied duties or obligations will be read into the Senior Indenture against the Senior Trustee. Except during the continuance of a Senior Event of Default, in the absence of any negligence on its part or any knowledge to the contrary, the Senior Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed, upon certificates or opinions furnished to the Senior Trustee and conforming to the requirements of the Senior Indenture. However, the Senior Trustee will examine the certificates and opinions to determine whether they conform to the requirements of the Senior Indenture.

The Senior Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that: (a) the Senior Trustee will not be liable for any error of judgment made in good faith by a Responsible Officer unless the Senior Trustee was negligent in ascertaining the pertinent facts; and (b) the Senior Trustee will not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it from Bondholders or the Department in the manner provided in the Senior Indenture.

The Senior Trustee will not, by any provision of the Senior Indenture, be required to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Senior Indenture, or in the exercise of any of its rights or powers, if repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it. The Senior Trustee will be under no obligation to exercise any of the rights or powers vested in it by the Senior Indenture at the request or direction of any of the holders of the Senior Bonds, unless such holders will have offered to the Senior Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

Notice of Defaults. If (i) a Senior Event of Default has occurred or (ii) an event has occurred which with the giving of notice and/or the lapse of time would be a Senior Event of Default and, with respect to such events for which notice to the Department is required before such events will become Senior Events of Default, such notice has been given, then the Senior Trustee will promptly, after obtaining actual notice of such Senior Event of Default or event described in (ii) above, give notice thereof to each Bondholder. Except in the case of a default in payment or purchase on any Senior Bonds, the Senior Trustee may withhold the notice if and so long as a committee of its Responsible Officers in good faith determines that withholding the notice is in the interests of the Bondholders.

Eligibility of Senior Trustee. The Senior Indenture will always have a Senior Trustee that is a trust company, banking association or a bank having the powers of a trust company and is organized and doing business under the laws of the United States or any state or the District of Columbia, is authorized to conduct trust business under the laws of the State, is subject to supervision or examination by United States, state or District of Columbia authority and has (together with its corporate parent) a combined capital and surplus of at least $100,000,000 as set forth in its most recent published annual report of condition.

Replacement of Senior Trustee. The Senior Trustee may resign by notifying the Department in writing prior to the proposed effective date of the resignation. The holders of not less than 51% in aggregate Senior Principal Amount of the Senior Bonds may remove the Senior Trustee by notifying the removed Senior Trustee and may appoint a successor Senior Trustee with the Department's consent. The Department may remove the Senior Trustee, by notice in writing delivered to the Senior Trustee at least 60 days prior to the proposed removal date; provided, however, that the Department will have no right to remove the Senior Trustee during any time when a Senior Event of Default has occurred and is continuing or when an event has occurred and is continuing or condition exists which with the giving of notice or the passage of time or both would be a Senior Event of Default.

No resignation or removal of the Senior Trustee will be effective until a new Senior Trustee has taken office and delivered a written acceptance of its appointment to the retiring Senior Trustee and to the Department. Immediately thereafter, the retiring Senior Trustee will transfer all property held by it as Senior Trustee to the successor Senior Trustee, the resignation or removal of the retiring Senior Trustee will then (but only then) become effective and the successor Senior Trustee will have all the rights, powers and duties of the Senior Trustee under the Master Senior Indenture.

If the Senior Trustee resigns or is removed or for any reason is unable or unwilling to perform its duties under the Senior Indenture, the Department will promptly appoint a successor Senior Trustee.

If a Senior Trustee is not performing its duties under the Senior Indenture and a successor Senior Trustee does not take office within 60 days after the retiring Senior Trustee delivers notice of resignation or the Department delivers notice of removal, the retiring Senior Trustee, the Department or the holders of not less than 51% in aggregate Senior Principal Amount of the Senior Bonds may petition any court of competent jurisdiction for the appointment of a successor Senior Trustee.

Amendments and Supplements

Supplemental Senior Indentures Not Requiring Consent of Bondholders. The Department may, from time to time and at any time, without the consent of or notice to the Bondholders, execute and deliver Supplemental Senior Indentures supplementing and/or amending the Master Senior Indenture or any Supplemental Senior Indenture, as follows:

(a) to provide for the issuance of a Series or multiple Series of Senior Bonds under the provisions of the Master Senior Indenture and to set forth the terms of such Senior Bonds and the special provisions which will apply to such Senior Bonds;

(b) to cure any formal defect, omission, inconsistency or ambiguity in, or answer any questions arising under, the Master Senior Indenture or any Supplemental Senior Indenture, provided such supplement or amendment is not materially adverse to the Bondholders;

(c) to add to the covenants and agreements of the Department in the Master Senior Indenture or any Supplemental Senior Indenture other covenants and agreements, or to surrender any right or power reserved or conferred upon the Department, provided such supplement or amendment will not adversely affect the interests of the Bondholders;

(d) to confirm, as further assurance, any interest of the Senior Trustee in and to the Net Pledged Revenues or in and to the funds and accounts held by the Senior Trustee or in and to any other moneys, securities or funds of the Department provided pursuant to the Master Senior Indenture or to otherwise add additional security for the Bondholders;

(e) to evidence any change made in the terms of any Series of Senior Bonds if such changes are authorized by the Supplemental Senior Indenture at the time the Series of Senior Bonds is issued and such change is made in accordance with the terms of such Supplemental Senior Indenture;

(f) to comply with the requirements of the Trust Indenture Act of 1939, as from time to time amended, provided such supplement or amendment is not materially adverse to the Bondholders;

(g) to provide for uncertificated Senior Bonds or for the issuance of coupons and bearer Senior Bonds or Senior Bonds registered only as to principal;

(h) to qualify the Senior Bonds or a Series of Senior Bonds for a rating or ratings by Moody's and/or S&P;

(i) to accommodate the technical, operational and structural features of Senior Bonds which are issued or are proposed to be issued or of a Senior Program which has been authorized or is proposed to be authorized, including, but not limited to, changes needed to accommodate commercial paper, auction bonds, variable rate or adjustable rate bonds, discounted or compound interest bonds, swaps or other forms of indebtedness which the Department from time to time deems appropriate to incur;

(j) to accommodate the use of a Credit Facility or Liquidity Facility for specific Senior Bonds or a specific Series of Senior Bonds, provided such supplement or amendment is not materially adverse to the Bondholders;

(k) to comply with the requirements of the Code as are necessary, in the opinion of Bond Counsel, to prevent the federal income taxation of the interest on the Senior Bonds, including, without limitation, the segregation of Pledged Revenues and Net Pledged Revenues into different funds; or

(l) to modify, alter, amend or supplement the Master Senior Indenture or any Supplemental Senior Indenture in any other respect which is not materially adverse to the Bondholders.

Before the Department executes any Supplemental Senior Indenture, there will be delivered to the Department and Senior Trustee an opinion of Bond Counsel to the effect that such Supplemental Senior Indenture is authorized or permitted by the Master Senior Indenture, the Charter and, other applicable law, complies with their respective terms, will, upon the execution and delivery thereof, be valid and binding upon the Department in accordance with its terms and will not cause interest on any of the Senior Bonds which is then excluded from gross income of the recipient thereof for federal income tax purposes to be included in gross income for federal income tax purposes.

Supplemental Senior Indentures Requiring Consent of Bondholders.

(a) Except for any Supplemental Senior Indenture entered into pursuant to the provisions described in "—Supplemental Senior Indentures Not Requiring Consent of Bondholders" above and any Supplemental Senior Indenture entered into pursuant to (b) below, subject to the terms and provisions contained in this paragraph (a) and not otherwise, the holders of not less than 51% in aggregate Senior Principal Amount of the Senior Bonds then Outstanding will have the right from time to time to consent to and approve the execution by the Department of any Supplemental Senior Indenture deemed necessary or desirable by the Department for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in the Master Senior Indenture or in a Supplemental Senior Indenture; provided, however, that, unless approved in writing by the holders of all the Senior Bonds then Outstanding or unless such change affects less than all Series of Senior Bonds and the following subsection (b) is applicable, nothing contained in the Master Senior Indenture will permit, or be construed as permitting, (i) a change in the scheduled times, amounts or currency of payment of the principal of, interest on or Accreted Value of any Outstanding Senior Bonds or (ii) a reduction in the principal amount or redemption price of any Outstanding Senior Bonds or the rate of interest thereon; and provided that nothing contained in the Master Senior Indenture, including the provisions of (b) below, will, unless approved in writing by the holders of all the Senior Bonds then Outstanding, permit or be construed as permitting (iii) the creation of a lien (except as expressly permitted by the Master Senior Indenture) upon or pledge of the Pledged Revenues created by the Master Senior Indenture, ranking prior to or on a parity with the claim created by the Master Senior Indenture, (iv) except with respect to additional security which may be provided for a particular Series of Senior Bonds, a preference or priority of any Senior Bond or Senior Bonds over any other Senior Bond or Senior Bonds with respect to the security granted therefor under the Granting Clauses of the Master Senior Indenture, or (v) a reduction in the aggregate Senior Principal Amount of Senior Bonds the consent of the Bondholders of which is required for any such Supplemental Senior Indenture. Nothing contained in the Master Senior Indenture, however, will be construed as making necessary the approval by Bondholders of the execution of any Supplemental Senior Indenture as authorized in "—Supplemental Senior Indentures Not Requiring Consent of Bondholders" above, including the granting, for the benefit of particular Series of Senior Bonds, security in addition to the pledge of the Pledged Revenues.

(b) The Department may, from time to time and at any time, execute a Supplemental Senior Indenture which amends the provisions of an earlier Supplemental Senior Indenture under which a Series or multiple Series of Senior Bonds were issued. If such Supplemental Senior Indenture is executed for one of the purposes described under "—Supplemental Senior Indentures Not Requiring Consent of Bondholders" above, no notice to or consent of the Bondholders will be required. If such Supplemental Senior Indenture contains provisions which affect the rights and interests of less than all Series of Senior Bonds Outstanding and the provisions described under "—Supplemental Senior Indentures Not Requiring Consent of Bondholders" above are not applicable, then this subsection (b) rather than subsection (a) above will control and, subject to the terms and provisions contained in this subsection (b) and not otherwise, the holders of not less than 51% in aggregate Senior Principal Amount of the Senior Bonds of all Series which are affected by such changes will have the right from time to time to consent to any Supplemental Senior Indenture deemed necessary or desirable by the Department for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in such Supplemental Senior Indenture and affecting only the Senior Bonds of such Series; provided, however, that, unless approved in writing by the holders of all the Senior Bonds of all the affected Series then Outstanding, nothing contained in the Master Senior Indenture will permit, or be construed as permitting, (i) a change in the scheduled times, amounts or currency of payment of the principal of, interest on or Accreted Value of any Outstanding Senior Bonds of such Series or (ii) a reduction in the principal amount or redemption price of any Outstanding Senior Bonds of such Series or the rate of interest thereon. Nothing contained in the Master Senior Indenture, however, will be construed as making necessary the approval by Bondholders of the adoption of any Supplemental Senior Indenture as authorized pursuant to the provisions as described in "—Supplemental Senior Indentures Not Requiring Consent of Bondholders" above, including the granting, for the benefit of particular Series of Senior Bonds, security in addition to the pledge of the Pledged Revenues.

Rights of Credit Provider

The Master Senior Indenture provides that if a Credit Facility is provided for a Series of Senior Bonds or for specific Senior Bonds, the Department may in the Supplemental Senior Indenture under which such Senior Bonds are issued, provide any or all of the following rights to the Credit Provider as the Department will deem to be appropriate: (a) the right to make requests of, direct or consent to the actions of the Senior Trustee or to otherwise direct proceedings all as provided in the Master Senior Indenture to the same extent and in place of the owners of the Senior Bonds which are secured by the Credit Facility and for such purposes the Credit Provider will be deemed to be the Bondholder of such Senior Bonds; (b) the right to act in place of the owners of the Senior Bonds which are secured by the Credit Facility for purposes of removing a Senior Trustee or appointing a Senior Trustee under the Master Senior Indenture; and (c) the right to consent to Supplemental Senior Indentures, which would otherwise require the consent of the holders of not less than 51% of the aggregate Senior Principal Amount of the Outstanding Senior Bonds, entered into pursuant to the provisions described in "—Amendments and Supplements—Supplemental Senior Indentures Requiring Consent of Bondholders" above, except with respect to any amendments described in clauses (a)(i) through (v) and clauses (b)(i) or (ii) described in "—Amendments and Supplements—Supplemental Senior Indentures Requiring Consent of Bondholders" above, which consent of the actual Bondholders will still be required, to the same extent and in place of the owners of the Senior Bonds which are secured by the Credit Facility and for such purposes the Credit Provider will be deemed to be the Bondholder of such Senior Bonds.

SUMMARY OF THE SIXTEENTH SUPPLEMENTAL SENIOR INDENTURE

In addition to certain information contained under the captions "DESCRIPTION OF THE SERIES 2015DE SENIOR BONDS" and "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015DE SENIOR BONDS" in the forepart of this Official Statement, the following is a summary of certain provisions of the Sixteenth Supplemental Senior Indenture. Such summary is only a brief description of limited provisions of such document and is qualified in its entirety by reference to the full text of the Sixteenth Supplemental Senior Indenture.

Terms of the Series 2015DE Senior Bonds

The Sixteenth Supplemental Senior Indenture sets forth the terms of the Series 2015DE Senior Bonds, most of which terms are described in the forepart of this Official Statement under "DESCRIPTION OF THE SERIES 2015DE SENIOR BONDS."

Establishment of Funds and Accounts

Pursuant to the Sixteenth Supplemental Senior Indenture, the Senior Trustee will establish and maintain the following funds and accounts: the Series 2015D Senior Debt Service Fund (and within the Series 2015D Senior Debt Service Fund an Interest Account, a Principal Account and a Redemption Account), the Series 2015D Senior Construction Fund, the Series 2015E Senior Debt Service Fund (and within the Series 2015E Senior Debt Service Fund an Interest Account, a Principal Account and a Redemption Account), the Series 2015E Senior Construction Fund, the Series 2015DE Senior Costs of Issuance Fund, the Series 2015DE Senior Reserve Account to be established in the Senior Reserve Fund, and the Series 2015DE Senior Rebate Fund.

The funds and accounts will be initially funded with the proceeds of the Series 2015DE Senior Bonds as described in the forepart of this Official Statement under "ESTIMATED SOURCES AND USES OF FUNDS."

Series 2015DE Senior Debt Service Funds. The Senior Trustee will deposit into the Interest Accounts of the Series 2015D Senior Debt Service Fund and the Series 2015E Senior Debt Service Fund, respectively, a portion of the proceeds of the Series 2015D Senior Bonds and the Series 2015E Senior Bonds representing capitalized interest on the Series 2015D Senior Bonds and the Series 2015E Senior Bonds. Additionally, the Senior Trustee will deposit in the Interest Accounts of the Series 2015D Senior Debt Service Fund and the Series 2015E Senior Debt Service Fund, respectively, amounts received from the Department, as provided in the Master Senior Indenture, to be used to pay interest on the Series 2015D Senior Bonds and the Series 2015E Senior Bonds, respectively. The Senior Trustee will also deposit into the Interest Accounts of the Series 2015D Senior Debt Service Fund and the Series 2015E Senior Debt Service Fund, respectively, any other amounts deposited with the Senior Trustee for deposit in such Interest Accounts or transferred from other funds and accounts for deposit therein. Earnings on the Interest Accounts will be withdrawn and paid to the Department on the Business Day following an Interest Payment Date for deposit into the LAX Revenue Account, unless a Senior Event of Default exists under the Master Senior Indenture, in which event the earnings will be retained in such account.

The Senior Trustee will deposit into the Principal Accounts of the Series 2015D Senior Debt Service Fund and the Series 2015E Senior Debt Service Fund, respectively, amounts received from the Department to be used to pay principal of the Series 2015D Senior Bonds and the Series 2015E Senior Bonds, respectively, at maturity. The Senior Trustee will also deposit into the Principal Accounts of the Series 2015D Senior Debt Service Fund and the Series 2015E Senior Debt Service Fund, respectively, any other amounts deposited with the Senior Trustee for deposit into such Principal Accounts or transferred from other funds and accounts for deposit therein. Earnings on the Principal Accounts will be withdrawn and paid to the Department on the Business Day following a principal Payment Date for deposit into the LAX Revenue Account, unless a Senior Event of Default exists under the Master Senior Indenture, in which event the earnings will be retained in such account.

The Senior Trustee will deposit into the Redemption Accounts of the Series 2015D Senior Debt Service Fund and the Series 2015E Senior Debt Service Fund, respectively, amounts received from the Department or from other sources to be used to pay principal of, interest on and premium, if any on the Series 2015D Senior Bonds or the Series 2015E Senior Bonds, as applicable, which are to be redeemed in advance of their maturity (except redemptions occurring as a result of the operation of the mandatory sinking fund). Earnings on such Redemption Accounts will be retained in such accounts or paid to the Department for deposit into the LAX Revenue Account in accordance with instructions given to the Senior Trustee by an Authorized Representative at the time of such deposit.

The Series 2015D Senior Debt Service Fund and the Series 2015E Senior Debt Service Fund will be invested and reinvested in Senior Permitted Investments as directed by an Authorized Representative.

Series 2015D Senior Construction Fund. Amounts in the Series 2015D Senior Construction Fund will be disbursed from time to time, upon requisition of the Department, to pay the costs or to reimburse the Department for costs incurred in connection with the portion of the projects for which the Series 2015D Senior Bonds were issued. While held by the Senior Trustee, amounts in the Series 2015D Senior Construction Fund will not secure the Outstanding Series 2015DE Senior Bonds. Amounts in the Series 2015D Senior Construction Fund will be invested and reinvested in Senior Permitted Investments as directed by the Department and the earnings upon such accounts will be credited to such fund.

Series 2015E Senior Construction Fund. Amounts in the Series 2015E Senior Construction Fund will be disbursed from time to time, upon requisition of the Department, to pay the costs or to reimburse the Department for costs incurred in connection with the portion of the projects for which the Series 2015E Senior Bonds were issued.

While held by the Senior Trustee, amounts in the Series 2015E Senior Construction Fund will not secure the Outstanding Series 2015DE Senior Bonds. Amounts in the Series 2015E Senior Construction Fund will be invested and reinvested in Senior Permitted Investments as directed by the Department and the earnings upon such accounts will be credited to such fund.

Series 2015DE Senior Costs of Issuance Fund. The proceeds of the Series 2015DE Senior Bonds deposited into the Series 2015DE Senior Costs of Issuance Fund will be disbursed by the Senior Trustee, from time to time, to pay Costs of Issuance of the Series 2015DE Senior Bonds. Amounts in the Series 2015DE Senior Costs of Issuance Fund will be invested and reinvested in Senior Permitted Investments as directed by the Department and the earnings upon such accounts will be credited to such fund.

Series 2015DE Senior Reserve Account. For a description of the Senior Reserve Fund and the Series 2015DE Senior Reserve Account, see "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015DE SENIOR BONDS—Senior Reserve Fund" in the forepart of this Official Statement.

Series 2015DE Senior Rebate Fund. The Series 2015DE Senior Rebate Fund will be established under the Sixteenth Supplemental Senior Indenture for the Series 2015DE Senior Bonds for the purpose of complying with certain provisions of the Code which require that the Department pay to the United States of America the excess, if any, of the amounts earned on certain funds held by the Senior Trustee with respect to the Series 2015DE Senior Bonds over the amounts which would have been earned on such funds if such funds earned interest at a rate equal to the yield on the Series 2015DE Senior Bonds. Such excess is to be deposited into the Series 2015DE Senior Rebate Fund and periodically paid to the United States of America. The Series 2015DE Senior Rebate Fund while held by the Senior Trustee is held in trust for the benefit of the United States of America and is not pledged as security for nor available to make payment on the Series 2015DE Senior Bonds.

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APPENDIX D

PROPOSED FORM OF BOND COUNSEL'S OPINION

[Closing Date]

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

$296,475,000 Department of Airports of the City of Los Angeles, California Los Angeles International Airport Senior Revenue Bonds 2015 Series D	$27,850,000 Department of Airports of the City of Los Angeles, California Los Angeles International Airport Senior Revenue Bonds 2015 Series E

Ladies and Gentlemen:

We have acted as Bond Counsel to the Department of Airports of the City of Los Angeles, California (the "Department"), acting through the Board of Airport Commissioners of the City of Los Angeles, California (the "Board"), in connection with the Department's issuance and sale of $296,475,000 aggregate principal amount of its Department of Airports of the City of Los Angeles, California, Los Angeles International Airport, Senior Revenue Bonds, 2015 Series D (the "Series 2015D Senior Bonds"), and $27,850,000 aggregate principal amount of its Department of Airports of the City of Los Angeles, California, Los Angeles International Airport, Senior Revenue Bonds, 2015 Series E (the "Series 2015E Senior Bonds," and together with the Series 2015D Senior Bonds, the "Series 2015DE Senior Bonds"). The Series 2015DE Senior Bonds are being issued under the terms of the Charter of the City of Los Angeles, relevant ordinances of the City of Los Angeles, and the Los Angeles Administrative Code (collectively, the "Charter"), the Master Trust Indenture, dated as of April 1, 1995, as amended (the "Master Senior Indenture"), by and between the Department, acting through the Board, and The Bank of New York Mellon Trust Company, N.A., formerly known as The Bank of New York Trust Company, N.A., as successor in interest to BNY Western Trust Company, as successor in interest to U.S. Trust Company of California, N.A., as trustee (the "Senior Trustee"), and the Sixteenth Supplemental Trust Indenture, dated as of November 1, 2015 (the "Sixteenth Supplemental Senior Indenture," and together with the Master Senior Indenture, the "Senior Indenture"), by and between the Department, acting through the Board, and the Senior Trustee. Issuance of the Series 2015DE Senior Bonds has been authorized by Resolution No. 25552, adopted by the Board on November 6, 2014, and approved by the City Council of the City of Los Angeles and the Mayor of the City of Los Angeles on December 16, 2014 and December 22, 2014, respectively, and Resolution No. 25818, adopted by the Board on October 15, 2015 (collectively, the "Resolutions"). Capitalized terms not otherwise defined herein shall have the meanings set forth in the Senior Indenture.

In connection with the issuance of the Series 2015DE Senior Bonds, we have examined: (a) the Charter; (b) certified copies of the Resolutions; (c) executed copies of the Master Senior Indenture and the Sixteenth Supplemental Senior Indenture; (d) an executed copy of the Tax Compliance Certificate, dated the date hereof, relating to the Series 2015DE Senior Bonds and other matters (the "Tax Certificate"); (e) certifications of the Department, the Senior Trustee, Siebert Brandford Shank & Co., L.L.C., as representative of the underwriters of the Series 2015DE Senior Bonds (the "Underwriters"), Public Resources Advisory Group, as co-financial advisor to the Department, the City Clerk of the City of Los Angeles, and others; (f) opinions of the City Attorney, counsel to the Senior Trustee and counsel to the Underwriters; and (g) such other documents as we deemed relevant and necessary in rendering the opinions set forth herein. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and the validity against, any parties, other than the Department, thereto. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in this paragraph.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or whether any other matters come to our attention after the date hereof. We call attention to the fact that the obligations of the Department, the security provided therefor, as contained in the Series 2015DE Senior Bonds and the Senior Indenture, may be subject to general principles of equity which permit the exercise of judicial discretion, and are subject to the provisions of applicable bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect, and to the limitations on legal remedies against charter cities in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the Series 2015DE Senior Bonds or the Senior Indenture. We have not undertaken any responsibility for the accuracy, completeness or fairness of the Official Statement dated November 5, 2015, or any other offering material relating to the Series 2015DE Senior Bonds and express no opinion relating thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Series 2015DE Senior Bonds have been duly authorized and all legal conditions precedent to the issuance and delivery of the Series 2015DE Senior Bonds have been fulfilled.

2. The Series 2015DE Senior Bonds constitute the valid and binding limited obligations of the Department secured by a pledge of and lien upon and are a charge upon and are payable from the Net Pledged Revenues and certain funds and accounts held by the Senior Trustee under the Senior Indenture.

3. The Master Senior Indenture and the Sixteenth Supplemental Senior Indenture have been duly authorized, executed and delivered by the Department, acting through the Board, and, assuming the due authorization, execution and delivery by the Senior Trustee, constitute the valid and binding obligations of the Department, enforceable against the Department in accordance with their terms. The Senior Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Series 2015DE Senior Bonds, of the Net Pledged Revenues and certain funds and accounts held by the Senior Trustee under the Senior Indenture, subject to the provisions of the Senior Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein.

4. The Series 2015DE Senior Bonds are not general obligations of the Department. Neither the faith and the credit nor the taxing power of the City of Los Angeles, the State of California or any public agency, other than the Department to the extent of the Net Pledged Revenues, is pledged to the payment of the principal of and interest on the Series 2015DE Senior Bonds. None of the properties of the Airport System are subject to any mortgage or other lien for the benefit of the owners of the Series 2015DE Senior Bonds. The Department has no power of taxation.

5. Under existing laws, regulations, rulings and judicial decisions, interest on the Series 2015D Senior Bonds is excluded from gross income for federal income tax purposes, except that such exclusion does not apply with respect to interest on any Series 2015D Senior Bond for any period during which such Series 2015D Senior Bond is held by a person who is a "substantial user" of the facilities financed or refinanced by the Series 2015D Senior Bonds or a "related person" to such substantial user within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Series 2015D Senior Bonds constitutes an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations by the Code.

6. Under existing laws, regulations, rulings and judicial decisions, interest on the Series 2015E Senior Bonds is excluded from gross income for federal income tax purposes. Interest on the Series 2015E Senior Bonds is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals and corporations, however, such interest is included in adjusted current earnings of certain corporations, and such corporations are required to include in the calculation of federal alternative minimum taxable income 75% of the excess of such corporations' adjusted current earnings over their federal alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses).

7. Under existing laws, interest on the Series 2015DE Senior Bonds is exempt from present State of California personal income taxes.

The opinions set forth in numbered paragraphs 5 and 6 above regarding the exclusion of interest from gross income of the recipient is subject to continuing compliance by the Department with covenants regarding federal tax law contained in the Senior Indenture and the Tax Certificate. Failure to comply with such covenants could cause interest on the Series 2015DE Senior Bonds to be included in gross income retroactive to the date of issue of the Series 2015DE Senior Bonds. Although we are of the opinion that interest on the Series 2015DE Senior Bonds is excluded from gross income for federal tax purposes, the accrual or receipt of interest on the Series 2015DE Senior Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

Our engagement with respect to the Series 2015DE Senior Bonds has concluded with their issuance, and we disclaim any obligation to update, revise or supplement this opinion letter.

Very truly yours,

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APPENDIX E

BOOK-ENTRY ONLY SYSTEM

Introduction

Unless otherwise noted, the information contained under the subcaption "—General" below has been provided by DTC. Neither the City nor the Department makes any representations as to the accuracy or the completeness of such information. The beneficial owners of the Series 2015DE Senior Bonds should confirm the following information with DTC, the Direct Participants or the Indirect Participants.

NONE OF THE CITY, THE DEPARTMENT OR THE SENIOR TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT; (B) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE SERIES 2015DE SENIOR BONDS UNDER THE SENIOR INDENTURE OR THE SUBORDINATE INDENTURE, (C) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2015DE SENIOR BONDS; (D) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL, PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE OWNER OF THE SERIES 2015DE SENIOR BONDS; (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNERS OF SERIES 2015DE SENIOR BONDS; OR (F) ANY OTHER MATTER REGARDING DTC.

General

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2015DE Senior Bonds. The Series 2015DE Senior Bonds will be issued as fully–registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully–registered bond certificate will be issued for each maturity of each series of the Series 2015DE Senior Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC or held by the Senior Trustee.

DTC, the world's largest securities depository, is a limited–purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non–U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post–trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book–entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of Series 2015DE Bond certificates. Direct Participants include both U.S. and non–U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly–owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non–U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC may be found on its web sites. The Department undertakes no responsibility for and makes no representations as to the accuracy or the completeness of the content of such material contained on DTC's website as described in the preceding sentence including, but not limited to, updates of such information or links to other Internet sites accessed through the aforementioned website.

Purchases of the Series 2015DE Senior Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2015DE Senior Bonds, as applicable, on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2015DE Senior Bonds, as applicable, are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2015DE Senior Bonds, except in the event that use of the book–entry system for the Series 2015DE Senior Bonds is discontinued.

To facilitate subsequent transfers, all Series 2015DE Senior Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2015DE Senior Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2015DE Senior Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2015DE Senior Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

While the Series 2015DE Senior Bonds are in the book-entry-only system, redemption notices shall be sent to DTC. If less than all of the Series 2015DE Senior Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2015DE Senior Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Department as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2015DE Senior Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium, if any, and interest payments on the Series 2015DE Senior Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Department, the Senior Trustee on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Series 2015DE Senior Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Direct and Indirect Participant and not of DTC, the Department, the Senior Trustee subject to any statutory, or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest on the Series 2015DE Senior Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Department, the Senior Trustee disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2015DE Senior Bonds at any time by giving reasonable notice to the Department, the Senior Trustee. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered. To the extent permitted by law, the Department may decide to discontinue use of the system of book–entry transfers through DTC (or to the extent permitted by law, a successor Bonds depository). In that event, bond certificates will be printed and delivered.

No Assurance Regarding DTC Practices

The foregoing information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Department believes to be reliable, but the Department takes no responsibility for the accuracy thereof.

AS LONG AS CEDE & CO. OR ITS SUCCESSOR IS THE REGISTERED HOLDER OF THE SERIES 2015DE SENIOR BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE REGISTERED HOLDERS OF THE SERIES 2015DE SENIOR BONDS SHALL MEAN CEDE & CO., AS AFORESAID, AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2015DE SENIOR BONDS.

In the event the Department determines not to continue the book-entry system or DTC determines to discontinue its services with respect to the Series 2015DE Senior Bonds and the Department does not select another qualified depository, the Department shall deliver one or more Series 2015DE Senior Bonds in such principal amount or amounts, in authorized denominations, and registered in whatever name or names, as DTC shall designate. In such event, transfers and exchanges of Series 2015DE Senior Bonds, as applicable, will be governed by the provisions of the Senior Indenture.

Risks of Book-Entry System

The Department makes no assurance, and the Department shall incur no liability, regarding the fulfillment by DTC of its obligations under the book-entry system with respect to the Series 2015DE Senior Bonds.

In addition, Beneficial Owners of the Series 2015DE Senior Bonds may experience some delay in their receipt of distributions of principal of, premium, if any, and interest on, the Series 2015DE Senior Bonds, as applicable, since such distributions will be forwarded by the Department to DTC and DTC will credit such distributions to the accounts of the Direct Participants which will thereafter credit them to the accounts of the Beneficial Owners either directly or through Indirect Participants.

Since transactions in the Series 2015DE Senior Bonds can be effected only through DTC, Direct Participants, Indirect Participants and certain banks, the ability of a Beneficial Owner to pledge Series 2015DE Senior Bonds, as applicable, to persons or entities that do not participate in the DTC system, or otherwise to take actions in respect of such Series 2015DE Senior Bonds, as applicable, may be limited due to lack of a physical certificate. Beneficial Owners will not be recognized by the Department as registered owners of the Series 2015DE Senior Bonds, as applicable, and Beneficial Owners will only be permitted to exercise the rights of registered owners indirectly through DTC and its Participants.

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APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Department of Airports of the City of Los Angeles, California acting by and of through the Board of Airport Commissioners of the City of Los Angeles, California (the "Department") in connection with the issuance by the Department of its Los Angeles International Airport, Senior Revenue Bonds, 2015 Series D (the "Series 2015D Senior Bonds") and the Los Angeles International Airport, Senior Revenue Bonds, 2015 Series E (the "Series 2015E Senior Bonds" and together with the Series 2015D Senior Bonds, the "Series 2015DE Senior Bonds"). The Series 2015DE Senior Bonds are being issued pursuant to the Master Trust Indenture, dated as of April 1, 1995, as amended (the "Master Senior Indenture"), by and between the Department and The Bank of New York Mellon Trust Company N. A., formerly known as The Bank of New York Trust Company, N. A., successor in interest to BNY Western Trust Company, as successor in interest to U.S. Trust Company of California, N. A., as trustee (the "Senior Trustee") and a Sixteenth Supplemental Trust Indenture dated as of November 1, 2015 (the "Sixteenth Supplemental Senior Indenture," and together with the Master Senior Indenture, the "Senior Indenture"), by and between the Department and the Senior Trustee. The Department hereby covenants and agrees as follows:

Section 1. Definitions. In addition to the definitions set forth in the Senior Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Department pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person that (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2015DE Senior Bonds (including persons holding Series 2015DE Senior Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2015DE Senior Bonds for federal income tax purposes.

"Dissemination Agent" shall mean the Department, acting in its capacity as Dissemination Agent hereunder, or any other successor Dissemination Agent designated in writing by the Department, and which has filed with the Department a written acceptance of such designation.

"EMMA System" shall mean the MSRB's Electronic Municipal Market Access system, or such other electronic system designated by the MSRB.

"Fiscal Year" shall mean the one-year period ending on June 30 of each year or such other period of 12 months designated by the Department as its Fiscal Year.

"GASB" shall mean the Governmental Accounting Standards Board.

"Listed Events" shall mean any of the events listed in Section 5(a) or 5(b) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board or any successor thereto.

"Official Statement" shall mean the final official statement of the Department relating to the Series 2015DE Senior Bonds.

"Owner" shall mean a registered owner of the Series 2015DE Senior Bonds.

"Participating Underwriter" shall mean any of the original underwriters of the Series 2015DE Senior Bonds required to comply with the Rule in connection with offering of the Series 2015DE Senior Bonds.

"Rule" shall mean Rule 15c2-12 adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"SEC" shall mean the Securities and Exchange Commission.

"State" shall mean the State of California.

Section 2. Purpose of this Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Department for the benefit of the Owners and Beneficial Owners of the Series 2015DE Senior Bonds – and in order to assist the Participating Underwriter in complying with the Rule.

Section 3. Provision of Annual Reports.

(a) The Department shall, or shall cause the Dissemination Agent, if the Dissemination Agent is other than the Department, to, not later than 180 days following the end of each Fiscal Year of the Department (which Fiscal Year currently ends on June 30), commencing with the report for Fiscal Year ending June 30, 2015, provide to the MSRB through the EMMA System, in an electronic format and accompanied by identifying information all as prescribed by the MSRB and/or the Rule, an Annual Report relating to the immediately preceding Fiscal Year that is consistent with the requirements of Section 4 of this Disclosure Certificate, which Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that any audited financial statements may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Fiscal Year for the Department changes, the Department shall give notice of such change in the same manner as for a Listed Event under Section 5(e).

(b) If in any year, the Department does not provide the Annual Report to the MSRB by the time specified above, the Department shall file a notice with the MSRB through the EMMA System in substantially the form attached as Exhibit A hereto.

(c) If the Dissemination Agent is not the Department. the Dissemination Agent shall:

1. file a report with the Department certifying that the Annual Report has been filed pursuant to this Disclosure Certificate and listing the date(s) of the filing(s); and

2. take any other actions mutually agreed to between the Dissemination Agent and the Department.

Section 4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

(a) The Department's audited financial statements for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated from time to time by GASB and all statements and interpretations issued by the Financial Accounting Standards Board which are not in conflict with the statements issued by GASB, provided however that the Department may from time to time, in order to comply with federal or State legal requirements, modify the basis upon which such financial statements are provided notice. Notice of any such modification shall be provided to the MSRB and shall include a reference to the applicable law or requirement describing such accounting basis. If the Department's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain comparable information derived from unaudited financial statements and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Information in form and substance similar to the following tables set forth in the Official Statement for the most recently completed Fiscal Year:

1. Table 1 – "Existing Senior Bonds";
2. Table 2 – "Existing Subordinate Bonds and Subordinate Commercial Paper Notes";
3. Table 3 – "Senior Bonds and Subordinate Bonds Debt Service Requirements" (only if such information changes);
4. Table 6 – "Air Carriers Serving LAX" (as of the first day of the current Fiscal Year);
5. Table 8 – "Air Traffic Data";
6. Table 9 – "Historical Total Enplanements by Airline";
7. Table 10 – "Total Revenue Landed Weight";
8. Table 11 – "Enplaned and Deplaned Cargo";
9. Table 14 – "Historical Operating Statements";
10. Table 15 – "Top Ten Revenue Providers";
11. Table 16 – "Top Ten Revenue Sources";
12. Table 18 – "Historical Debt Service Coverage"; and

13. The columns entitled “Department Market Value” and “LAX Market Value” in Table 19 – “City of Los Angeles Pooled Investment Fund”; and

14. Unless otherwise provided in “Historical Operating Statements,” the total amount of PFC revenues received by the Department with respect to Los Angeles International Airport.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Department or related public entities that have been submitted to the MSRB through the EMMA System. In the event that information necessary to prepare the tables listed above becomes unavailable due to changes in accounting practices, legislative changes or organizational changes, the Department shall state in its Annual Report that such table will no longer be included in the Annual Report and the reason therefore and the Department will provide comparable information if available.

Section 5. Reporting of Significant Events.

(a) The Department shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2015DE Senior Bonds not later than ten business days after the occurrence of the event:

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;
5. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
6. Tender offers;
7. Defeasances;
8. Rating changes; or
9. Bankruptcy, insolvency, receivership or similar event of the Department;

Note: for the purposes of the event identified in Section 5(a)(9) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Department in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Department, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Department.

(b) The Department shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2015DE Senior Bonds, if material, not later than ten business days after the occurrence of the event:

1. Non-payment related defaults;
2. Unless described in paragraph 5(a)(5), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Series 2015DE Senior Bonds or other material events affecting the tax status of the Series 2015DE Senior Bonds;
3. Modifications to rights of the Owners of the Series 2015DE Senior Bonds;
4. Series 2015D Bond calls;
5. Release, substitution or sale of property securing repayment of the Series 2015DE Senior Bonds;
6. The consummation of a merger, consolidation, or acquisition involving the Department or the sale of all or substantially all of the assets of the Department, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the

termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or

7. Appointment of a successor or additional trustee or the change of name of a trustee.

(c) The Department shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 3(a), as provided in Section 3.

(d) If the Department learns of an occurrence of a Listed Event described in Section 5(a), or determines that knowledge of a Listed Event described in Section 5(b) would be material under applicable federal securities laws, the Department shall within ten business days of occurrence file a notice of such occurrence with the MSRB through the EMMA System in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsections (a)(7) or (b)(4) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Owners of affected Series 2015DE Senior Bonds pursuant to the Senior Indenture.

Section 6. Termination of Obligation. The Department's obligations under this Disclosure Certificate with respect to a Series of the Series 2015DE Senior Bonds shall terminate upon the maturity, legal defeasance, prior redemption or payment in full of all of such Series of the Series 2015DE Senior Bonds. In addition, in the event that the Rule shall be amended, modified or repealed such that compliance by the Department with its obligations under this Disclosure Certificate no longer shall be required in any or all respects, then the Department's obligations hereunder shall terminate to a like extent.

Section 7. Dissemination Agent. The Department may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such dissemination agent, with or without appointing a successor dissemination agent. If at any time there is not any other designated dissemination agent, the Department shall be the dissemination agent. The initial dissemination agent shall he the Department.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, without the consent of the Owners of the Series 2015DE Senior Bonds, the Department may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that, in the opinion of nationally recognized bond counsel, such amendment or waiver is not prohibited by the Rule. The Department shall give notice of any amendment in the same manner as for a Listed Event under Section 5(e).

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Department from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Department chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Department shall not thereby have any obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Department to comply with any provision of this Disclosure Certificate, any Owner or Beneficial Owner of the Series 2015DE Senior Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Department to comply with its obligations under this Disclosure Certificate; provided that any such Owner or Beneficial Owner may not take any enforcement action without the consent of the Owners of not less than 25% (twenty-five percent) in aggregate principal amount of the Series 2015DE Senior Bonds that at the time are Outstanding. A default under this Disclosure Certificate shall not be deemed a default under the Senior Indenture and the sole remedy under this Disclosure Certificate in the event of any failure of the Department to comply with this Disclosure Certificate shall be an action to compel performance. Under no circumstances shall any person or entity be entitled to recover monetary damages hereunder in the event of any failure of the Department to comply with this Disclosure Certificate. No Owner or Beneficial Owner of the Series 2015DE Senior Bonds may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the Department satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and the Department shall have refused to comply therewith within a reasonable time.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. Any Dissemination Agent appointed hereunder shall have only such duties as are specifically set forth in this Disclosure Certificate, and shall have such rights, immunities and liabilities as shall be set forth in the written agreement between the Department and such Dissemination Agent pursuant to which such Dissemination Agent agrees to perform the duties and obligations of Dissemination Agent under this Disclosure Certificate.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Department, the Dissemination Agent, if any, and the Owners and Beneficial Owners from time to time of the Series 2015DE Senior Bonds, and shall create no rights in any other person or entity. This Disclosure Certificate is not intended to create any monetary rights on behalf of any person based upon the Rule.

Section 13. Notices. Any notices or communications to the Department may be given as follows:

Los Angeles World Airports
One World Way
Los Angeles, California 90045
Attention: Ryan Yakubik
Fax: (310) 646-9223
Telephone: (424) 646-5251

Section 14. Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the Department shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof, and the Beneficial Owners of the Series 2015DE Senior Bonds shall retain all the benefits afforded to them hereunder. The Department hereby declares that it would have executed and delivered this Disclosure Certificate and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Section 15. Governing Law. This Disclosure Certificate was made in the City of Los Angeles and shall be governed by, interpreted and enforced in accordance with the laws of the State of California and the City of Los Angeles, without regard to conflict of law principles. Any litigation, action or proceeding to enforce or interpret any provision of this Disclosure Certificate or otherwise arising out of, or relating to this Disclosure Certificate, shall be brought, commenced or prosecuted in a State or Federal court in the County of Los Angeles in the State of California. By its acceptance of the benefits hereof, any person or entity bringing any such litigation, action or proceeding submits to the exclusive jurisdiction of the State of California and waives any defense of forum non conveniens.

IN WITNESS WHEREOF, the undersigned has executed this Disclosure Certificate this 24th day of November, 2015.

DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES, CALIFORNIA

By: ______________________________
Executive Director

EXHIBIT A

NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	Department of Airports of the City of Los Angeles, California
Name of Bond Issue:	Department of Airports of the City of Los Angeles, California, Los Angeles International Airport, Senior Revenue Bonds, 2015 Series D Department of Airports of the City of Los Angeles, California, Los Angeles International Airport, Senior Revenue Bonds, 2015 Series E
Date of Issuance:	November 24, 2015
CUSIP:	[______]

NOTICE IS HEREBY GIVEN that the Department of Airports of the City of Los Angeles, California (the "Department") has not provided an Annual Report with respect to the above referenced Bonds as required by Section 3 of the Continuing Disclosure Certificate, dated November 24, 2015, executed by the Department for the benefit of the Owners and Beneficial Owners of the above referenced Bonds. The Department anticipates that the Annual Report will be filed by ___________________________ , 20_.
Dated: _______________

DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES, CALIFORNIA

By: ____
Authorized Representative

APPENDIX G

CERTAIN INFORMATION REGARDING THE CITY OF LOS ANGELES

The information in APPENDIX G – "CERTAIN INFORMATION REGARDING THE CITY OF LOS ANGELES," which has been reproduced from relevant portions of Appendix A to the to the Official Statement of the City dated November 3, 2015, in connection with The Municipal Improvement Corporation of Los Angeles Taxable Lease Revenue Refunding Bonds, Series 2015-A, which is available from the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system. The Department is relying upon, and has not independently confirmed or verified the accuracy or the completeness of, the information in Appendix G or the LACERS Reports, or other information incorporated by reference therein. See also "THE DEPARTMENT OF AIRPORTS – Retirement Plan" herein.

INTRODUCTION

THE INFORMATION IN THIS SECTION HAS BEEN TRUNCATED TO ONLY INCLUDE THOSE PORTIONS OF THIS SECTION THAT REFERENCE THE LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM ("LACERS") AND THE CITY OF LOS ANGELES FIRE AND POLICE PENSION PLAN ("FPPP"). THE ENTIRETY OF THIS SECTION IS AVAILABLE IN CITY'S APPENDIX A TO THE OFFICIAL STATEMENT OF THE CITY DATED NOVEMBER 3, 2015, IN CONNECTION WITH THE MUNICIPAL IMPROVEMENT CORPORATION OF LOS ANGELES TAXABLE LEASE REVENUE REFUNDING BONDS, SERIES 2015-A, WHICH IS AVAILABLE FROM THE MUNICIPAL SECURITIES RULEMAKING BOARD'S ELECTRONIC MUNICIPAL MARKET ACCESS SYSTEM.

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The City recently completed negotiations with 19 bargaining units (the "Coalition of LA City Unions"). Impacts to the Fiscal Year 2015-16 Budget are anticipated to be minimal and within the amounts allocated to the Unappropriated Balance. Beginning in Fiscal Year 2016-17, expenditures will likely increase above the amounts currently assumed in the Budget Outlook. Concurrent with these negotiations, the City and the Coalition of LA City Unions engaged in mediation on pension reform litigation matters. The outcome of this mediation will result in a revised civilian pension tier for new employees hired after the implementing ordinance is approved by the City Council. The immediate impact to the City's budget is expected to be minimal. An actuarial analysis will determine the long-term impact to the City.

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There are a number of legal challenges that may adversely impact the City's financial condition and will need to be addressed over the next several years; see "**LITIGATION**," herein. With regard to one major case, the Ardon litigation involving utility users' taxes on telecommunication services, the City has settled with the plaintiffs for $92.5 million. Partial funding to support this settlement has been appropriated within the Unappropriated Balance Reserve for Liability Resolution account.

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BUDGET AND FINANCIAL OPERATIONS

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Fiscal Year 2014-15 Adopted Budget

The 2014-15 Adopted Budget, including the General Fund and most special revenue funds, totaled $8.1 billion, a $437 million (5.7%) increase from the Fiscal Year 2013-14 Adopted Budget. General Fund revenues for Fiscal Year 2014-15 were estimated at $5.14 billion, a net increase of $271 million (5.6%) from the Fiscal Year 2013-14 Adopted Budget, and a net increase of $220 million (4.3%) from the Fiscal Year 2012-13 actual revenues.

Fiscal Year 2014-15 Preliminary Financial Results

On October 6, 2015, the Controller released his Preliminary Financial Report on financial operations for the City for the fiscal year-ended June 30, 2015. This report traditionally provides the first review of the City's finances following the close of the fiscal year. The July 1, 2015, available balance in the City's Reserve Fund was reported to be $129.1 million greater than budgeted, primarily due to higher than projected revenue and reversions of unencumbered appropriations, and reduced year-end transfers. The actual beginning adjusted Reserve Fund balance at July 1, 2015 was $442.5 million or 8.18% of Fiscal Year 2015-16 Adopted Budget General Fund receipts. See "**BUDGET AND FINANCIAL OPERATIONS—Budgetary Reserves and Contingencies**," herein.

Fiscal Year 2015-16 Adopted Budget

By Charter, the Mayor presents and the Council adopts a balanced budget with no deficit. The table below illustrates how the assumptions that comprised an original projected deficit of $165 million were subsequently adjusted to reflect actual budgeted expenditures and revenues in developing and balancing the Fiscal Year 2015-16 Adopted Budget. This deficit reflected the difference between anticipated Fiscal Year 2015-16 expenditures and projected Fiscal Year 2015-16 revenues, adjusted to eliminate all one-time revenues from the prior year. This table also illustrates how the gap between the Fiscal Year 2014-15 base revenue level and the Fiscal Year 2015-16 Adopted Budget expenditure level was closed through a combination of ongoing and one-time revenues and expenditure reductions. In short, of the solutions to close this gap, 69% are ongoing and 31% are one-time in nature.

Table 15
CLOSING THE FISCAL YEAR 2015-16 BUDGET GAP
($ in millions)

	From Prior 2014-15 Outlook	Fiscal Year 2015-16 Adopted Budget
Revenue		
2014-15 Revenue Budget	$5,138	$5,138
Less one-time 2014-15 Revenue	186	186
2014-15 Base Revenue Budget	**$4,952**	**$4,952**
Expenses		
2014-15 Base Expenses	$5,138	$5,138
Obligatory 2015-16 Adjustments to 2014-15 Base Expenses	61	58
Add 2015-16 New Ongoing Expenses	94	55
Add 2015-16 One-time Expenses	-	169
2015-16 Total Expenses	**$5,293**	**$5,420**
Total 2015-16 Expense Above Base 2014-15 Revenue	**$ 340**	**$ 468**
Solutions		
Add 2015-16 Projected Ongoing Growth	$ 175	$ 320
Add One-time 2015-16 Revenue	-	138
Less Ongoing Reductions/Efficiencies	-	3
Less One-time Reductions	-	7
Solutions Identified	**$ 175**	**$ 468**
Solutions to be Determined (Gap)	**$ 165**	**$ -**
Ongoing Solutions	51%	69%
One-time Solutions	0%	31%
Unspecified Solutions	49%	0%
	100%	100%

Source: City of Los Angeles, Office of the City Administrative Officer.

While the Fiscal Year 2015-16 Adopted Budget is balanced, there are some known risks that may require mid-year adjustments. As described in the Introduction to this Appendix A, the outcome of the City's negotiations with the Coalition of LA City Unions may require minimal adjustments to the City's budget. Additionally, a settlement of the Ardon case (see **"LITIGATION,"** herein) has been reached. In anticipation of some of the risks that may need to be addressed during Fiscal Year 2015-16, the Adopted Budget includes additional funding of $67 million in the Unappropriated Balance, comprised of $50 million as a Reserve for Liability Resolution and $17 million as a Reserve for Mid-Year Adjustments. See "**BUDGET AND FINANCIAL OPERATIONS—Budgetary Reserves and Contingencies**," herein.

Funding shortfalls that required mid-year adjustments in Fiscal Year 2014-15 and in prior years have been largely addressed in the Fiscal Year 2015-16 Adopted Budget. Most significantly, funding for police overtime has been increased to fully fund the anticipated Fiscal Year 2015-16 need. The City, however, continues to maintain a police overtime liability of $113 million (as of May 2, 2015) accumulated in prior years as a result of underfunding this account and increasing the amount that could be banked by police officers for future pay-out or compensated time off. The specific timing of paying down this liability is undetermined, but the Fiscal Year 2015-16 Adopted Budget includes $5 million for this purpose.

On May 26, 2015 the City Council adopted the Mayor's proposed budget with modifications totaling $19 million. On May 27, 2015 the Mayor signed the 2015-16 Adopted Budget as modified by the City Council. The following table presents the Fiscal Year 2015-16 Adopted Budget and the adopted budgets for the preceding fiscal years. These budgets include the General Fund and most special revenue funds, but exclude those operations not under the direct control of the Council (i.e., Airports, Harbor, Water and Power departments, and the Los Angeles City Employees' Retirement and Fire and Police Pensions systems).

Table 16
CITY OF LOS ANGELES ADOPTED BUDGET
(ALL BUDGETED FUND TYPES)

Revenues	Adopted Budget 2012-13	Adopted Budget 2013-14	Adopted Budget 2014-15	Adopted Budget 2015-16
General Fund				
Property Taxes [1]	$ 1,457,022,000	$ 1,549,568,000	$ 1,644,811,000	$1,765,230,000
Property Tax – Ex-CRA Tax Increment	48,600,000	55,434,000	48,023,000	52,580,000
Other Taxes [2]	1,764,726,000	1,896,692,000	1,958,030,000	2,080,875,000
Licenses, Permits, Fees and Fines [3]	970,757,118	1,033,987,064	1,040,330,401	1,077,604,212
Intergovernmental [4]	249,100,000	253,000,000	261,000,000	275,300,000
Other General Fund [5]	49,777,000	63,590,260	172,604,670	141,191,911
Interest	10,510,000	14,621,000	13,491,000	17,600,000
Total General Fund Revenue	$4,550,492,118	$4,866,892,324	$5,138,290,071	$5,410,381,123
Special Purpose Funds				
Charges For Services and Operations [6]	$ 1,173,478,896	$ 1,217,506,209	$ 1,291,885,009	$1,312,020,696
Transportation Funds [7]	325,540,467	322,539,834	335,198,972	331,549,770
Intergovernmental [8]	82,150,321	82,637,744	80,068,557	82,564,920
Special Assessments [9]	91,856,801	81,894,536	85,018,351	98,396,818
Other Special Funds	447,339,632	425,437,766	460,786,211	464,886,212
Available Balances	410,782,495	527,905,446	582,806,097	745,236,659
Total Special Fund Revenue	$2,531,148,612	$2,657,921,535	$2,835,763,197	$3,034,655,075
City Levy for Bond Redemption and Interest	$ 164,475,921	$ 160,695,451	$ 148,889,669	137,526,468
Total Receipts	$7,246,116,651	$7,685,509,310	$8,122,942,937	$8,582,562,666
Appropriations by Funding Source				
General Fund				
Fire Department	$ 34,972,700	$ 36,672,192	$ 37,379,713	$ 37,298,797
Police Department	1,221,043,234	1,266,367,842	1,293,469,105	1,388,767,435
Other Budgetary Departments	1,383,640,397	1,455,605,552	1,560,073,548	1,676,323,072
Tax and Revenue Anticipation Notes [10]	860,620,300	955,905,263	1,047,447,674	1,077,985,098
Capital Finance Administration [11]	201,111,784	213,368,640	218,722,586	214,208,074
Human Resources Benefits	592,508,153	600,430,000	615,138,916	611,491,371
Other General Fund Appropriations	256,595,550	338,542,835	366,058,529	404,307,276
Total General Fund	$4,550,492,118	$4,866,892,324	$5,138,290,071	$5,410,381,123
Special Purpose Funds				
Budgetary Departments	$ 869,794,129	$ 922,678,331	$ 908,106,365	$ 962,208,445
Appropriations to Proprietary Departments	77,718,048	83,472,204	93,818,332	102,643,144
Capital Improvement Expenditure Program	167,280,201	176,855,922	199,725,825	266,516,882
Wastewater Special Purpose Fund	448,973,671	464,477,897	463,170,037	464,501,463
Appropriations to Special Purpose Funds	967,382,563	1,010,437,181	1,170,942,638	1,238,785,141
Total Special Funds	$2,531,148,612	$2,657,921,535	$2,835,763,197	$3,034,655,075
Bond Redemption and Interest Funds				
General City Bonds	$ 164,475,921	$ 160,695,451	$ 148,889,669	$ 137,526,468
Total (All Purposes)	$7,246,116,651	$7,685,509,310	$8,122,942,937	$8,582,562,666

(1) Property taxes include all categories of the City allocation of one percent property tax collections such as secured, unsecured, State replacement, redemptions and penalties, supplemental receipts and other adjustments and is net of refunds and County charges. Also included are property taxes remitted to the City as replacement revenue for both State Vehicle License Fees and sales and use taxes. See "MAJOR GENERAL FUND REVENUE SOURCES" for a discussion of the State reallocation of revenues known as the "triple flip."

(2) Other taxes include Utility Users' Tax, Business Tax, Sales Tax, Transient Occupancy Tax, Documentary Transfer Tax, Parking Users' Tax, and Residential Development Tax.

(3) Also includes State Vehicle License Fees, Parking Fines and Franchise Income.

(4) Intergovernmental revenues include proprietary department transfers.

(5) Other General Fund receipts include grant receipts, tobacco settlement, transfers from the Special Parking Revenue Fund, Telecommunications Development Account Fund, Reserve Fund, and the Budget Stabilization Fund.

(6) Major revenue sources include the Sewer Construction and Maintenance Fund, the Convention Center Revenue Fund, the Special Parking Revenue Fund, the Zoo Enterprise Fund, the Building and Safety Fund, and refuse collection fee revenues.

(7) Revenue sources include the Special Gas Tax Street Improvement Fund, the Proposition A Local Transit Improvement Fund, and the Proposition C Anti-Gridlock Transit Improvement Fund.

(8) Intergovernmental receipts include the Community Development Block Grant, the Local Public Safety Fund, and the Workforce Development Trust Fund.

(9) Includes the Street Lighting Maintenance Assessment Fund and the Stormwater Pollution Abatement Fund.

(10) A significant portion of the City's TRAN proceeds are used to prepay the annual contribution to the City Employees' Retirement System and Fire and Police Pension System. The budget line item for TRAN repayment is primarily for principal for this portion of the program, and is made in lieu of direct appropriations for contributions to the two retirement systems. See "FINANCIAL OPERATIONS – Retirement and Pension Systems," herein. Interest due on the TRAN is also included in this line item.

(11) This fund is used to make lease payments on various lease revenue bonds, certificates of participation and commercial paper notes.

Source: City of Los Angeles, Office of the City Administrative Officer.

Fiscal Year 2015-16 Financial Status Reports

On October 23, 2015, the CAO released the first Financial Status Report of the Fiscal Year. This report summarized the close-out of the 2014-15 budget and provided an update on the current-year budget—including certain projected departmental deficits, early trends in revenues, the status of the City's Reserve Fund, and current issues of concern and their potential impact to the City. Recommendations totaling approximately $146 million for appropriations, transfers, and other budgetary adjustments were included.

The report identified $62.6 million in potential expenditures that could exceed budgeted amounts, including $15.8 million in Fire Department salaries, $5.4 million in Police salaries, $20.0 million in liability expenditures, and $13.4 million in costs relating to services to the homeless. The report recommends certain transfers and other actions that would address $22.6 million of the potential shortfall. The report also notes that the costs associated with transfer of current LACER employees from the abandoned Tier 2 to Tier 1 have not yet been determined by the LACERS' actuary, but that the cost may be incurred in the current fiscal year in an amount unknown at this time. The report also identifies other areas of budgetary risk, including the potential cost impacts of a particularly wet winter arising from El Niño conditions, and the City's new homelessness initiatives.

General Fund Budget Outlook

As part of its budget planning, the CAO prepares a multi-year Budget Outlook, based on the existing budget, known major future expenditure commitments and projections of other revenues and expenditures, to identify future budget challenges, including whether a budget gap is likely to occur. This planning tool helps the City identify potential budgetary pressures and allows for earlier implementation of budget adjustments, either through the annual budget process or through interim action. The Budget Outlook is updated in connection with the City's budget process and, at times, with its periodic financial status reports.

The City's most recent Budget Outlook, prepared in connection with the Fiscal Year 2015-16 Adopted Budget, shows that the City would face a budget gap of $90 million in Fiscal Year 2016-17 and $51 million in Fiscal Year 2017-18 without corrective action. Based on the assumptions of the Budget Outlook, this deficit would be eliminated by Fiscal Year 2018-19.

Included in these assumptions are the following: the size of the workforce will remain flat after 2014-15, with no major increases to City services; no further salary increases will be agreed to in the pending labor negotiations; all employees will contribute 10% of the cost of their health care premiums on an ongoing basis; and each year's shortfall will be solved by ongoing rather than one-time solutions. Potential expenditures tied to the outcome of recently concluded labor negotiations or major litigation (see "**INTRODUCTION**" and "**LITIGATION**," herein) were not incorporated in this Budget Outlook, nor have the footnotes been updated.

The Budget Outlook is constantly changing, and does not include all potential revenues and expenditures. Even though budget deficits are currently projected, as they have been in prior years, these budgets must be balanced when enacted, as required by the City's Charter. The City generally accomplishes such balancing through a combination of revenue increases, expenditure reductions and transfers from reserves.

Table 17
GENERAL FUND BUDGET OUTLOOK
($ in millions)

	Adopted Budget 2015-16	2016-17	2017-18	2018-19	2019-20
Estimated General Fund Revenue:					
General Fund Base (1)	$5,138.3	$5,410.4	$5,424.5	$5,567.5	$5,730.0
Revenue Growth (2)					
Property Related Taxes (3)	133.8	(47.3)	75.0	77.2	79.0
Sales and Business Taxes(4)	83.5	106.1	11.7	22.0	22.5
Utility Users' Tax(5)	(1.6)	7.2	10.4	16.5	11.1
License, Permits and Fees(6)	42.4	26.2	27.0	27.8	28.6
Other Fees, Taxes and Transfers (7)	45.3	15.2	18.8	19.1	17.2
SPRF Transfer (8)	25.9	(33.0)	-	-	-
Transfer from the Budget Stabilization Fund(9)	-	-	-	-	-
Transfer from Reserve Fund(10)	(57.2)	(60.3)	-	-	-
Total Revenue	**$5,410.4**	**$5,424.5**	**$5,567.5**	**$5,730.0**	**$5,888.4**
General Fund Revenue Increase (Decrease) %	***5.3%***	***0.3%***	***2.6%***	***2.9%***	***2.8%***
General Fund Revenue Increase (Decrease) $	***$ 272.1***	***$ 14.1***	***$ 143.0***	***$ 162.5***	***$ 158.4***
Estimated Expenditures:					
General Fund Base (11)	$5,138.3	$5,410.4	$5,514.3	$5,618.5	$5,693.6
Incremental Changes to Base: (12)					
Employee Compensation Adjustments (13)	105.1	75.9	68.2	59.5	68.7
Other Sworn Compensation Adjustments (14)	38.9	-	-	-	-
Police Sworn Overtime (15)	70.0	5.0	10.0	-	-
City Employees Retirement System (16)	23.1	10.3	(13.3)	(11.5)	(7.7)
Fire and Police Pensions (16)	(1.6)	15.5	10.9	(22.8)	11.9
Workers Compensation Benefits (17)	(6.5)	13.3	4.9	7.8	11.4
Health, Dental and Other Benefits (18)	(0.2)	26.2	39.9	43.4	46.9
Debt Service (19)	(4.5)	(5.6)	(2.9)	(4.6)	(14.0)
Delete Resolution Authorities (20)	(25.5)	-	-	-	-
Add New and Continued Resolution Authorities (20)	26.6	-	-	-	-
Delete One-Time Costs(21)	(91.5)	-	-	-	-
Add One-Time Costs(21)	62.0	-	-	-	-
Unappropriated Balance (22)	(13.5)	(89.8)	-	-	-
New Facilities (23)	4.0	(4.0)	-	-	-
City Elections (24)	(16.7)	16.7	(16.7)	-	10.0
CIEP – Municipal Facilities (25)	2.6	(3.7)	-	-	-
CIEP – Sidewalks (26)	10.2	15.0	-	-	-
CIEP – Pavement Preservation (27)	6.8	29.3	3.2	3.3	-
Appropriation to the Reserve Fund(28)	-	-	-	-	-
Appropriation to the Budget Stabilization Fund (29)	-	-	-	-	-
Net - Other Additions and Deletions(30)	82.7	-	-	-	-
Subtotal Expenditures	**$5,410.4**	**$5,514.3**	**$5,618.5**	**$5,693.6**	**$5,820.9**
Expenditure Growth (Reduction) %	***5.3%***	***1.9%***	***1.9%***	***1.3%***	***2.2%***
Expenditure Growth (Reduction) $	***272.1***	***104.0***	***104.1***	***75.2***	***127.2***
TOTAL BUDGET GAP(31)	**$ -**	**$ (89.8)**	**$ (51.0)**	**$ 36.4**	**$ 67.5**
Incremental Increase(Decrease) % in Gap			***(43.3)%***	***(171.4)%***	***85.7%***
Incremental Increase(Decrease) $ in Gap		***(89.8)***	***38.9***	***87.3***	***31.2***

Revenue:

(1) General Fund (GF) Base: The revenue base for each year represents the prior year's estimated revenues.

(2) Revenue Growth: Revenue projections reflect the consensus of economists consulted by the City that economic recovery will continue and individual economically-sensitive revenues may grow up to eight percent. The amounts represent projected incremental change to the base. Any one-time receipts are deducted from the estimated revenue growth for the following fiscal year.
The total projected revenue assumes above-average growth in 2015-16 attributed to one-time transfers and average growth thereafter.

(3) Property tax revenue is projected to grow as a result of a 5.88 percent increase in Assessed Valuation for 2015-16. The year over year growth in revenue tapers off to 3.5 percent average growth for subsequent fiscal years. A decrease is expected in 2016-17 with the discontinued disbursement of sales tax replacement revenue with the conclusion of the state "triple flip" methodology. Although some sales tax replacement revenue will likely be received as a "clean up" payment in 2016-17, this amount is not known and is not included in the forecast. Documentary Transfer and Residential Development Taxes are volatile revenues and have realized large increases in recent years

Table 17
GENERAL FUND BUDGET OUTLOOK
($ in millions)

following large declines. Moderate growth for outgoing years is assumed with the projected improvement in the local real estate market.

(4) Business tax is projected to experience average growth tempered by the phased in reduction to the top business tax rate from 2015-16 through 2017-18. Sales tax growth through 2016-17 is based on available economic forecasts. Outgoing years reflect average growth. The impact of the restoration of the full one percent sales tax rate as a result of the end to the state "triple flip" methodology will straddle two fiscal years. As sales tax replacement revenue will also continue for the first fiscal year of the restoration, a $37.1 million one-time boost to sales tax receipts will be realized in 2015-16 Fiscal Year. Fiscal Year 2016-17 will be the first full year of restored sales tax revenue.

(5) Electric users' tax assumes increased growth consistent with prior history, as well as receipt of approximately $2.9 million in one-time revenue from past-due billings in 2015-16. Growth in gas users' tax revenue is based on natural gas prices determined by the futures market. The decline in communication users' tax revenue is projected to slow with the implementation of AB1717 in 2016-17 which is expected to recover lost CUT revenue from the prepaid wireless market. Additional revenue will be realized in 2018-19 with the conclusion of a settlement credits provided to a telecom company.

(6) The projected revenue growth in this category is dependent on policy decisions to increase departmental fees and collect full overhead cost reimbursements. The assumed three percent growth is within range of the historical average. For 2015-16, reimbursements to the General Fund are based on the most recent Cost Allocation Plan published by the Controller.

(7) Increases in 2015-16 reflect growth in the Transient Occupancy Tax, Parking Users Tax, and the Power Revenue Transfer. The Power Revenue Transfer is budgeted at $275 million for 2015-16 with no anticipated growth thereafter. In outgoing years, modest growth is assumed in the tax revenues.

(8) Revenue from the Special Parking Revenue Fund (SPRF) represents the projected surplus that may be available to transfer to the General Fund after accounting for debt service and other expenditures associated with the maintenance, upgrades, and repairs of parking structures, meters and related assets. A base-level surplus of about $23.5 million is projected in 2015-16 which reflects a $3 million increase from the previously assumed base-level of $20.5 million. Any amounts above this are considered one-time receipts and deducted from the estimated revenue growth for the following fiscal year.

(9) Transfers from the Budget Stabilization Fund (BSF) are subject to an available balance in the BSF and to restrictions set forth in the BSF ordinance. BSF transfers are considered one-time receipts and are deducted from the estimated revenue growth for the following fiscal year. No transfers from the BSF are assumed.

(10) The transfer from the Reserve Fund in 2015-16 of $60.3 million is a reduction of $57.2 million from the transfer included in the 2014-15 Budget. The 2015-16 Reserve Fund balance is 5.79 percent after the transfer.

Estimated General Fund Expenditures:

(11) Estimated Expenditure General Fund Base: Using the 2014-15 General Fund budget as the baseline year, the General Fund base is the "Total Obligatory and Potential Expenditures" carried over to the following fiscal year.

(12) The 2015-16 incremental changes reflect funding adjustments to the prior fiscal year General Fund budget. The Four-Year Outlook expenditures included for subsequent years are limited to those obligatory and major expenses known at this time and are subject to change. Amounts represent projected incremental changes to the base.

(13) Employee Compensation Adjustments: This line includes salary step adjustments and full funding for partially financed positions from the prior year. The Four-Year Outlook reflects existing labor agreements, Memoranda of Understanding ("MOUs"), with City bargaining units.

(14) Other Sworn Compensation Adjustment: This line includes increases of $38.9 million in costs for Fire Overtime Constant Staffing in 2015-16, which are considered to be ongoing.

(15) Police Sworn Overtime: For 2015-16, it is assumed that the City will fund Police Sworn Overtime at $85 million, increase to $90 million in 2016-17, and further increase to $100 million by 2017-18. The forecast assumes that these expenditures will be ongoing.

(16) City Employment Retirement System ("LACERS") and Fire & Police Pensions ("Pensions"): The contributions are based on information commissioned or requested by the CAO from the departments' actuaries and include the employee compensation adjustment assumptions noted above. The LACERS contribution rate is a combination of the Tier 1 and Tier 2 rates, and Tier 2 payroll assumptions. The amounts reflected in the Four-Year Outlook represent incremental changes.

Table 1
LACERS and Pensions

Assumptions		2015-16	2016-17	2017-18	2018-19	2019-20
LACERS						
6/30th Investment Returns		7.50%	7.50%	7.50%	7.50%	7.50%
Combined Contribution Rate		28.26%	27.49%	26.24%	25.03%	23.92%
Pensions						
6/30th Investment Returns		7.50%	7.50%	7.50%	7.50%	7.50%
Combined Contribution Rate		46.51%	45.56%	44.60%	41.85%	41.46%

(17) Workers' Compensation Benefits (WC): The projection is based on a March 2015 actuarial analysis that projects annual medical inflation of seven percent and a two percent annual cost increase in permanent disability costs. The analysis projects no impact of SB863 legislation on future costs. The State Assessment Fee of $7.5 million is not projected to decrease. A small decrease is assumed in 2015-16 based on recent trends. Projections for 2016-17 and beyond are based solely on actuarial analysis.

(18) Health and Dental Benefits: The projection assumes that all civilian employees will contribute ten percent towards the cost of the City-sponsored health plan on January 1, 2016 and that these savings will be ongoing. Police and Fire health benefits are historically higher due to

Table 17
GENERAL FUND BUDGET OUTLOOK
($ in millions)

subsidy increases and the type and level of coverage elected by sworn employees. Civilian enrollment projections are based on zero percent growth after 2015-16. Police and Fire enrollment projections are based on one percent growth. It is anticipated that federal health care reform laws will continue to impact health plan costs and it is projected that the Cadillac Tax provision will increase costs by $624,000 in 2017-2018 with costs increasing to $3.3 million by 2019-20. Projections for 2016-17 and beyond are based solely on actuarial analysis.

(19) Debt Service: The debt service amounts include Capital Finance and Judgment Obligation Bond budgets.

(20) Resolution Authorities: The deletion line reflects the practice of deleting positions that are limited-term and temporary in nature each year. Funding for these positions is reviewed on a case-by-case basis and renewed if appropriate. Continued or new resolution positions are included in the "Add New and Continued Resolution Authorities" line. Funding is continued in subsequent years to provide a placeholder for continuation of resolution authority positions for various programs and incorporated into the beginning General Fund base of subsequent years.

(21) One-time Costs: The deletion line reflects the practice of deleting programs and costs that are limited-term and temporary in nature each year. Funding for these programs and expenses is reviewed on a case-by-case basis and continued if appropriate. Continued and new funding is included in the "Add One-Time Costs" line. Funding is continued in subsequent years to provide a placeholder for continuation of equipment and other one-time expenses incurred annually and incorporated into the beginning General Fund base of subsequent years.

(22) Unappropriated Balance (UB): One-time UB items are eliminated and ongoing items are continued the following year to provide a placeholder for various ongoing and/or contingency requirements in the future. Included in the UB for 2015-16 is a reserve for liability resolution ($50 million) and a reserve for mid-year adjustments ($17 million).

(23) New Facilities: Funding projections are based on preliminary departmental estimates for ongoing staffing and expenses. Cost increases in 2015-16 are attributed to the opening of the new Metro Division, Northeast Area Station, and Training Division facilities.

(24) Elections: Funding for elections is provided bi-annually. Effective 2020, Charter Amendment 1 changed the City's election dates from March and May of odd-numbered years to June and November of even-numbered years, to make City election dates align with Federal and State elections. No elections will be held in 2018-19. The amount estimated for 2019-20 includes the estimated cost for a June 2020 primary election only. The November 2020 general election will be budgeted separately in the following fiscal year.

(25) Capital Improvement Expenditure Program (CIEP): The 2015-16 Proposed Budget increases funding for municipal facilities related capital projects by $2.6 million from the prior year for a total of $12.23 million. Some of these project expenditures are one-time and deleted in 2016-17.

(26) CIEP-Sidewalk: Pursuant to the pending settlement in the case of Willits v. City of Los Angeles, the City is responsible to invest $31 million annually for sidewalk improvements for the next 30 years, with adjustments of 15.3 percent every 5 years to account for inflation and material price increases. The $10.2 million in 2015-16 is the General Fund appropriation required to meet the full $31 million investment. The 2016-17 increase of $15 million reflects the assumption that the General Fund portion will be $25.2 million annually beginning in 2016-17 and through the end of this Outlook, with the balance of the investment covered by other sources of funds.

(27) CIEP-Pavement Preservation Program: Total Pavement Preservation Program funding in 2015-16 is $157 million from various sources of funds to repair 2,400 lane miles. Funding for 2015-16 is included in the departments' budgets and $12 million is set aside in the UB. The $6.8 million increase shown for 2015-16 is attributed to Department of Transportation expenses. It is assumed that the program will be continued through 2019-20 at 2,400 lane miles per year. To meet this level in 2016-17, an additional $29.3 million will be required. This shortfall will increase by approximately $3 million annually in subsequent years.

(28) Appropriation to the Reserve Fund: In certain years, a General Fund appropriation to the Reserve Fund has been budgeted to strengthen the status of the Reserve Fund. The CAO recommends increasing the combined balances of the Reserve Fund and the Budget Stabilization Fund to ten percent of budgeted General Fund revenues.

(29) Appropriation to the Budget Stabilization Fund (BSF): Per the policy, if the combined annual growth for seven General Fund tax revenue sources exceeds 3.4 percent for a given year, the excess shall be deposited into the BSF. The appropriation may be reduced (1) to maintain the Reserve Fund at five percent; (2) to comply with the City's CIEP policy; (3) if a fiscal emergency is declared; or (4) the policy is suspended by the City Council and the Mayor. For 2015-16, an appropriation to the BSF of $77.32 million is required. However, to comply with the CIEP policy, the appropriation to the BSF for 2015-16 was reduced to a $26.9 million direct transfer from the Reserve Fund.

(30) Net - Other Additions and Deletions: The 2015-16 amount includes ongoing changes and new regular positions added to the base budget. Among the significant increases are appropriations of $25.83 million to General City Purposes, $5 million to the Affordable Housing Trust Fund (an additional $5 million one-time appropriation is included in the Add One-Time Costs line), $1.7 million to the Art and Cultural Facilities Fund, $8.8 million to the Recreation and Parks Fund, $8.2 million to the Library Fund, and $6 million to Liability Claims. The remaining balance reflects new and increased ongoing costs to a variety of departmental programs.

(31) Total Budget Gap: The Total Budget Gap reflects the projected Surplus (Deficit) in each fiscal year included in the Outlook.

Source: City of Los Angeles, Office of the City Administrative Officer.

GAAP-Based Fund Balance

The Government Accounting Standards Board ("GASB") provided new guidance for the presentation of fund balance in the General Fund and other governmental funds, effective with financial statements for periods beginning after June 15, 2010. GASB Statement No. 54 provided a new hierarchy of fund balance classifications. A description of the new classifications appears in "Note 1 (E) Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity," in the City's CAFR for the Fiscal Year Ended June 30, 2014. The table below restates the historical fund balances for the General Fund for Fiscal Year 2009-10 under this new hierarchy. A restatement beginning in Fiscal Year 2004-05 can be found in the Statistical Section of the CAFR.

Table 18
GASB 54 GENERAL FUND BALANCE
For Fiscal Years Ending June 30
($ in thousands)

	2010	2011	2012	2013	2014
Nonspendable[(1)]	$ 29,771	$ 26,299	$ 31,134	$ 43,115	$ 43,146
Restricted[(2)]	-	-	-	69,712	-
Assigned[(3)]	182,835	239,877	267,645	242,643	230,717
Unassigned[(4)]	224,574	253,882	272,905	367,146	622,208
Total Fund Balance	$437,180	$520,058	$571,684	$722,616	$896,071

(1) Includes inventories and certain advances to other funds.
(2) In Fiscal Year ended June 30, 2013, this represents the City's Budget Stabilization Fund. This fund was reported as part of the Unassigned Fund Balance in all other years.
(3) Includes encumbrances, various revolving funds, and certain net receivables.
(4) Primarily consists of the City's reserve fund and, except for Fiscal Year 2013, the Budget Stabilization Fund.

Source: City of Los Angeles, Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2014.

Budgetary Reserves and Contingencies

The City maintains a Reserve Fund, which was created by the Charter. The City may transfer moneys from the Reserve Fund as part of the Adopted Budget or throughout the fiscal year for appropriation, or may transfer funds from the Reserve Fund as a loan to other funds. The City also transfers moneys to the Reserve Fund from time to time throughout the year. All unencumbered cash amounts in the General Fund revert to the Reserve Fund at the end of the fiscal year; some of those funds will be reappropriated at the beginning of the following fiscal year (primarily for General Fund capital projects).

In March, 2011, voters approved a provision in the City's Charter to formalize financial policies previously adopted by the Mayor and Council and established a minimum balance equal to 2.75% of General Fund revenue that must be kept in reserves for emergencies. The measure amended Section 302 of the Charter to require the Reserve Fund accounts described below.

The Reserve Fund is composed of two accounts—a Contingency Reserve Account and an Emergency Reserve Account. Amounts in the Emergency Reserve Account, representing 2.75% of General Fund revenues, are restricted for funding an "urgent economic necessity" upon a finding by the Mayor and Council of such necessity and to be replenished in the subsequent fiscal year except in the case of a catastrophe. The balance of the available Reserve Fund is allocated to the Contingency Reserve Account, and is available to address unexpected expenditures relating to existing programs or revenue shortfalls upon authorization by the Mayor and City Council. The Reserve Fund was reported as part of the Unreserved General Fund fund balance in the City's Financial Statements through Fiscal Year 2009-10. Beginning with Fiscal Year 2010-11 and the implementation of GASB 54, the Reserve Fund is reported as part of the Unassigned Fund Balance. See **"BUDGET AND FINANCIAL OPERATIONS—GAAP-Based Fund Balance,"** above.

In addition, the City budgets a number of other funds that can be used to finance contingencies as they arise, the most important of which are the Budget Stabilization Fund and the Unappropriated Balance.

The City created the Budget Stabilization Fund for the purpose of setting aside money during periods of robust economic growth or when revenue projections are exceeded, to help smooth out years when revenue is stagnant or is in decline. According to the ordinance creating the fund, revenue growth in excess of 3.4% of the total of seven economically sensitive general fund tax revenue sources (property, utility users', business, sales, transient occupancy, documentary transfer, and parking users') is to be deposited into the fund. For Fiscal Year 2015-16, this amount was calculated to be $77.3 million. Of that amount, $55 million was appropriated instead for streets, sidewalks, and other infrastructure needs capital projects, which is consistent with the fund ordinance. The 2015-16 Adopted Budget includes a Budget Stabilization Fund of $91.9 million.

The Unappropriated Balance was created by the Charter, which requires that an amount be included in the Budget to be available for appropriations later in the fiscal year to meet contingencies as they arise. The following table summarizes allocations to and from this fund over the past five years.

Table 19
UNAPPROPRIATED BALANCE
Historical Use for Fiscal Years Ending June 30
($ in thousands)

	2011-12	2012-13	2013-14	Estimated 2014-15	Adopted Budget 2015-16
Appropriated in Adopted Budget	$ 21,679	$ 27,482	$ 83,940	$ 117,269	$103,623
Reappropriations and Transfers In	110,934	13,862	15,688	34,695	-
Total Available	$ 132,613	$ 41,344	$ 99,628	$ 151,964	$103,623
Transfer Out	(110,412)	(21,495)	(89,402)	(137,405)	
Ending Balance	$ 22,202	$ 19,850	$ 10,227	$ 14,558	

Source: City of Los Angeles, Office of the City Administrative Officer.

The following table summarizes the allocations to the Unappropriated Balance made in the Fiscal Year 2015-16 Adopted Budget.

Table 20
UNAPPROPRIATED BALANCE
Fiscal Year 2015-16 Adopted Budget
($ in thousands)

Appropriations	
Equipment, Expenses & Improvements	$ 3,644
Body Worn Video Cameras	4,550
Firefighter Hiring	4,500
Pavement Preservation	12,000
Reserve for Liability Resolution	50,000
Reserve for Mid-Year Adjustments	17,000
Other	11,929
Total	$103,623
Sources of Funds	
General Fund	$100,509
Other	3,114
Total	$103,623

Source: City of Los Angeles, Office of the City Administrative Officer.

The table below contains a five-year history of the City's Reserve Fund balances, as well as the balance in the Budget Stabilization Fund and the certain accounts related to contingencies in the Unappropriated Balance as of July 1. This balance is reported as of the beginning of the fiscal year in order to avoid overstating the balance as a result of year-end reversions, many of which are reappropriated as of July 1, and to account for any transfers made as part of an Adopted Budget. The Controller prepares an annual Preliminary Financial Report on the City's financial operations, which includes an update on the Reserve Fund balance as of the beginning of the fiscal year. See "**BUDGET AND FINANCIAL OPERATIONS—Fiscal Year 2014-15 Preliminary Financial Results,**" herein.

Table 21
BUDGETARY RESERVES
As of July 1st of the Fiscal Year
($ in millions)

	2011-12	2012-13	2013-14	2014-15	Adopted Budget 2015-16	Preliminary Actual 2015-16[1]
Emergency Reserve	$ 120.6	$ 125.1	$ 133.8	$ 141.3	$ 148.8	$148.8
Contingency Reserve	80.1	108.0	192.9	241.7	164.6	293.7
Total Reserve Fund	$ 200.7	$ 233.1	$ 326.7	$ 383.0	$ 313.4	$442.5
% of General Fund Revenues	4.58%	5.12%	6.36%	7.45%	5.79%	8.18%
Budget Stabilization Fund	0.5	0.5	61.5	64.1	91.9	91.9
Reserve for Layoff Avoidance[2]	0	8.0	0	0	0	0
Reserve for Economic Uncertainties[2]	0	0	21.0	20.7	0	0
Reserve for Liability Resolution[2]	0	0	0	0	50.0	50.0
Reserve for Mid-Year Adjustments [2]	0	0	0	0	17.0	17.0
Total Budgetary Reserves	$201.2	$241.6	$409.2	$467.8	$472.3	$601.4
% of General Fund Revenues	4.59%	5.31%	8.41%	9.10%	8.73%	11.12%
Budgeted General Fund Revenues	$4,385.7	$4,550.5	$4,866.9	$5,138.3	$5,410.4	$5,410.4

(1) As reported in the Controller's Preliminary Financial Report, dated October 6, 2015.
(2) Budget account within the Unappropriated Balance.

Source: City of Los Angeles, Office of the City Administrative Officer.

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Workers' Compensation, Employee Health Care and Other Human Resources Benefits

The City appropriates funds to a Human Resources Benefits Fund to account for various programs to provide benefits to its employees, in addition to retirement and other post-employment benefits as described below. The Fund is administered by the Personnel Department, and does not account for retirement or other post-employment benefits. Total benefits expenditures are shown in the following table.

Table 23
HUMAN RESOURCES BENEFITS[1]
($ in thousands)

	2011-12	2012-13	2013-14	Estimated 2014-15	Adopted Budget 2015-16
Workers' Compensation/Rehabilitation	$157,802	$156,033	$149,886	$161,500	$165,000
Contractual Services	14,242	20,690	21,730	26,480	26,480
Civilian FLEX Program[2]	199,042	209,450	225,135	227,017	228,393
Supplemental Civilian Union Benefits	4,177	4,249	3,940	4,094	4,016
Police Health and Welfare Program	117,732	122,850	124,360	129,359	134,412
Fire Health and Welfare Program	42,977	43,900	45,180	46,437	47,830
Unemployment Insurance	6,499	4,040	4,678	5,000	4,000
Employee Assistance Program	1,089	1,386	1,193	1,250	1,361
Total[3]	$543,560	$562,598	$576,102	$601,137	$611,492

(1) Cash basis.
(2) Reflects all civilian health, dental, union supplemental benefit and life insurance subsidies.
(3) Totals may not add due to rounding.

Source: City of Los Angeles, Office of the City Administrative Officer.

Labor Relations

In 1971, the City adopted an employee relations ordinance under the provisions of the Meyers-Milias-Brown Act ("MMBA"). Under the MMBA, management must bargain with recognized employee organizations on terms and conditions of employment, including wages, hours, and other working conditions. The CAO is the formal management representative on employee relations matters, representing the Mayor and Council in negotiations with bargaining units. The CAO receives direction from the Executive Employee Relations Committee ("EERC"), consisting of the Mayor, the President of the Council, the President Pro-Tempore of the Council and the chairpersons of the Council's Budget and Finance and Personnel and Animal Welfare Committees. Formal Memoranda of Understanding ("MOUs") are executed between the City and the bargaining units incorporating the negotiated wages and working conditions.

There are 41 individual MOUs, affecting about 35,000 full-time City employees (these bargaining units include employees of the Airport and Harbor departments, but exclude DWP employees) that are represented by 22 labor unions/employee associations. The remaining approximately 800 employees are not represented. Employees that are members of the Los Angeles City Employees' Retirement System ("LACERS") are considered to be "civilian" employees. Employees that are members of the City of Los Angeles Fire and Police Pension Plan ("FPPP") are considered to be "sworn" or "safety" employees.

Between Fiscal Years 2007-08 and 2014-15, the CAO, at the direction of the EERC, worked with labor unions to reduce the City's labor expenses to address short-term financial concerns and to create a more sustainable, long-term workforce. The City's adopted authorized staffing level for Fiscal Year 2014-15 was 31,875, well below its peak of 37,173 in Fiscal Year 2007-08. The City remains committed to maintaining sustainable labor expenses. As the financial health of the City improves, the process of making targeted investments in restoring City services and personnel has begun. The Fiscal Year 2015-16 Adopted Budget calls for a staffing level of 32,576, representing a 2.2% increase.

Among the measures taken to control employee related costs were changing active civilian employee health care benefits. To offset the increasing costs associated with health insurance for active employees, several bargaining units have agreed to have their members pay a portion of their monthly health care premium. Effective January 2016, a total of 14 bargaining units will be contributing 10% of their health care premium. These bargaining units represent about a quarter of the City's workforce.

In Fiscal Year 2012-13, the City Council adopted a new civilian retirement tier, which applied to all civilian employees hired on or after July 1, 2013. The new tier was designed to reduce the City's future pension costs through a series of plan design changes. On July 28, 2014, the City Employee Relations Board ruled that the City's action in creating the new civilian retirement tier was illegal because the City did not meet and confer with labor representatives on the matter. The Board ordered that the City rescind the implementation of the new retirement tier. The City subsequently filed an appeal of the ruling in State court and entered into a mandatory settlement conference phase. As a part of the agreement with the Coalition of Los Angeles City Unions, both the City and the Coalition have agreed to dismiss with prejudice all legal actions. After adoption of an ordinance, any employee hired will be enrolled in a new Tier 3. See "**BUDGET AND FINANCIAL OPERATIONS**—R**etirement and Pension Systems—Los Angeles City Employees' Retirement System ("LACERS")**, herein."

In 2014-15, multi-year agreements were reached with the Los Angeles Police Protective League and with the United Firefighters of Los Angeles City. The City also recently completed negotiations with 19 bargaining units (the "Coalition of LA City Unions"). The tentative settlement agreement provides for salary increases as shown on the table below.

The following table summarizes the membership and status of the largest unions and employee associations. For expired contracts, the terms continue to be observed during negotiations of a new contract, unless a provision has a specific termination date.

Table 24
STATUS OF LABOR CONTRACTS
LARGEST EMPLOYEE ORGANIZATIONS
(As of October 1, 2015)

Organization	Authorized Number of Full-Time Employees Represented(1)	Number of Bargaining Units	Status of Memorandum of Understanding	Cost of Living Adjustment(2)
Los Angeles Police Protective League	9,732	1	Contract expires 6/30/18	4% on 7/1/16 2% on 1/1/17 2% on 7/1/18
United Firefighters of Los Angeles City	3,120	1	Contract expires 6/30/16	2% on 6/28/15
Coalition of Los Angeles City Unions(3)	13,020	16	Contracts expire 6/30/18	2% on 7/9/17 2.75% step on 1/7/18 Salaries restructured
Engineers and Architects Association	4,402	4	Contracts expire 7/1/16	0% for term of contract Salaries restructured
Service Employees International Union – Units 8 & 17	1,755	2	Contracts expire 6/30/18	2.75% step on 11/15/15 2.75% step on 1/10/16 2% overall and a 2.75% step increase on 6/26/16 2.75% step on 1/7/18 Salaries restructured
Municipal Construction Inspectors Association (MCIA)	797	1	Contract expired 6/30/14	2% on 7/3/11 1.5% first full pay period January 2013 1.5% first full pay period January 2014

(1) Total authorized employees in all departments except DWP.
(2) Adjustments for the term covered by the specific MOU. Also includes certain “step increases” for variation in pay based on longevity.
(3) Includes Service Employees International Union, Local 721, American Federation of State, County and Municipal Employees, Laborers’ International Union of North America Local 777, Los Angeles/Orange County Building & Construction Trades Council, IUOE Local 501, and the Teamsters, Local 911.

Source: City of Los Angeles, Office of the City Administrative Officer.

The table below shows total authorized City staffing for all departments except the City’s three proprietary departments: Airports, Harbor, and DWP. The Los Angeles Police Department (“LAPD”) represents the single largest department in terms of authorized positions.

Table 25
AUTHORIZED CITY STAFFING[1]

	2011-12	2012-13	2013-14	Estimated 2014-15	Adopted Budget 2015-16
Sworn					
Police	10,480	10,480	10,480	10,480	10,522
Fire	3,218	3,222	3,234	3,232	3,292
Subtotal Sworn	13,698	13,702	13,714	13,712	13,814
Civilian					
Police	3,197	3,167	3,226	3,227	3,313
Fire	319	315	310	342	342
All Others	15,060	14,633	14,643	14,594	15,107
Subtotal Civilian	18,576	18,115	18,179	18,163	18,762
Total	32,274	31,817	31,893	31,875	32,576

(1) Includes permanent ("regular") positions and excludes temporary personnel (also referred to as "resolution authority positions"), which total 1,427 for Fiscal Year 2015-16. Also excludes personnel of the Departments of Airports, Harbor, and DWP.

Source: City of Los Angeles, Office of the City Administrative Officer.

Retirement and Pension Systems

General

The City contributes to three single-employer defined benefit pension plans created by the City Charter: the Los Angeles City Employees' Retirement System ("LACERS"), the City of Los Angeles Fire and Police Pension Plan ("FPPP") and, for employees of DWP, the Water and Power Employees' Retirement, Disability and Death Benefit Insurance Plan (the "Water and Power Plan").

Both LACERS and FPPP (collectively, the "Pension Systems") provide retirement, disability, death benefits, post-employment healthcare and annual cost-of-living adjustments to plan members and beneficiaries. Both systems are funded primarily from the City's General Fund. As required by the City Charter, the actuarial valuations for both Pension Systems are prepared on an annual basis and the applicable actuary recommends contribution rates for the fiscal year beginning after the completion of that actuarial valuation. When approved by the respective boards of administration of the Pension Systems, these become the City's contribution rates for such years. The City generally makes its actuarially determined Annual Required Contribution ("ARC"), although phasing-in of assumption changes has resulted in a small net pension obligation for fiscal years ended June 30, 2004 and 2005.

The Pension Systems' annual valuations determine the amount needed to fund the normal retirement costs accrued for current employment and to amortize any unfunded actuarial accrued liability ("UAAL"). The UAAL represents the difference between the present value of estimated future benefits accrued as of the valuation date and the actuarial value of assets currently available to pay these liabilities. The valuation for each plan is an estimate based on relevant economic and demographic assumptions, with the goal of determining the contributions necessary to sufficiently fund over time the accrued costs attributable to currently active, vested former members and retired employees and their beneficiaries. In addition, various actuarial assumptions are used in the valuation process, including the assumed rate of earnings on the assets of the plan in the future, the assumed rates of general inflation, salary inflation, inflation in health care costs, assumed rates of disability, the assumed retirement ages of active employees, the assumed marital status at retirement, and the post-employment life expectancies of retirees and beneficiaries. As plan experience differs from adopted assumptions, the actual liabilities will be more or less than the liabilities calculated based on the assumptions. The contribution rates in the following year's valuations are adjusted to take into account actual performance in the current and prior years. In addition, each plan performs an experience study every three years and further adjusts its assumptions accordingly.

The valuations incorporate a variety of actuarial methods, some of which are designed to reduce the volatility of contributions from year to year. When measuring the value of assets for determining the UAAL, many pension plans, including the Pension Systems, "smooth" market value gains and losses over a period of years to reduce volatility. These smoothing methodologies result in an actuarial value of assets that are lower or higher than the market value of assets. As discussed below, both systems amended their smoothing methodologies to address extraordinary losses or gains in the market value of assets.

Both Pension Systems have adopted asset allocation plans to guide their investments in stocks, bonds, real estate, alternatives and cash equivalents over a three- to five-year period. The asset allocations of the Pension Systems are summarized further below. Market value investment returns for the past 10 fiscal years are shown in the table below. Any return below the actuarial assumed rate of return (currently 7.5% for both LACERS and FPPP) represents an actuarial investment loss, while any return above the assumed rate of return represents an actuarial investment gain.

Table 26
LOS ANGELES PENSION SYSTEMS
HISTORICAL MARKET VALUE INVESTMENT RETURNS

Fiscal Year	LACERS[1]	FPPP[2]
2005-06	12.4%	12.5%
2006-07	19.5	18.5
2007-08	(5.7)	(4.7)
2008-09	(19.5)	(20.0)
2009-10	12.9	13.7
2010-11	22.6	22.1
2011-12	1.1	1.9
2012-13	14.3	13.0
2013-14	18.4	17.9
2014-15	2.8	4.15

(1) As of June 30, 2014, the 20-year annualized average rate of return for LACERS was 8.7%. The 30-year average was 10.2%.
(2) As of June 30, 2014, the 20-year annualized average rate of return for FPPP was 8.7%. The 30-year average was 10.1%.

Source: City of Los Angeles, the respective Pension Systems.

The City has never issued pension obligation bonds to fund either of its Pension Systems. The City does pre-pay its annual contributions out of the proceeds of its annual issuance of tax and revenue anticipation notes.

This section, "**Retirement and Pension Systems**," and the following section, "**Other Post-Employment Benefits**," contain certain information relating to LACERS and FPPP. The information contained in these sections is primarily derived from information produced by LACERS and FPPP and their independent accountants and their actuaries. The City has not independently verified the information provided by LACERS and FPPP. The comprehensive annual financial reports, actuarial valuations for retirement and health benefits, and other information concerning LACERS and FPPP are available on their websites, at www.lacers.org/aboutlacers/reports/index.html and https://www.lafpp.com/about/financial-reports, respectively. Information set forth on such websites is not incorporated by reference herein. For additional information regarding the Pension Systems, see also Note 5 in the "Notes to the City's Basic Financial Statements" in the City's Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2014.

Investors are cautioned that, in considering information on the Pension Systems, including the amount of the UAAL for retirement and other benefits, the funded ratio, the calculations of normal cost, and the resulting amounts of required contributions by the City, this is "forward looking" information. Such "forward looking" information reflects the judgment of the boards of the respective Pension Systems and their respective actuaries as to the value of future benefits over the lives of the currently active employees, vested terminated employees, and existing retired employees and beneficiaries. These judgments are based upon a variety of assumptions, one or more of which may prove to be inaccurate and/or be changed in the future.

Los Angeles City Employees' Retirement System ("LACERS")

LACERS, established in 1937 under the Charter, is a contributory plan covering most City employees except uniformed fire and police personnel and employees of the Department of Water and Power. As of June 30, 2014, the date of its most recent actuarial valuation, LACERS had 24,009 active members, 17,532 retired members and beneficiaries, and 6,031 inactive members. The number of retired members was significantly increased, and the number of active members significantly decreased, as a result of the City's Early Retirement Incentive Program in Fiscal Year 2009-10. LACERS is funded pursuant to the Entry Age Normal Cost Method, which is designed to produce stable employer contributions in amounts that increase at the same rate as the employer's payroll (i.e., level percent of payroll).

A number of assumptions are made in calculating the actuarial valuation of retirement benefits. The following are some of the key assumptions used by LACERS' actuary, The Segal Company, in preparing LACERS' actuarial report as of June 30, 2014.

Table 27
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
ACTUARIAL ASSUMPTIONS
As of June 30, 2014

Investment rate of return	7.50%
Inflation rate	3.25%
Real across-the-board salary increase	0.75%
Projected salary increases	Ranges from 4.4% to 10.5%, based on service
Cost of living adjustments for pensioners	3.00% for Tier 1; 2.00% for Tier 2

Source: Los Angeles City Employees' Retirement System Actuarial Valuation and Review of Retirement and Health Benefits as of June 30, 2014.

Based on the results of its most recent triennial experience study dated October 8, 2014 for the three-year period from July 1, 2011 through June 30, 2014, LACERS adopted new actuarial assumptions, including reducing the assumed investment return from 7.75% to 7.50% and reducing the inflation rate from 3.50% to 3.25%.

Over the past several years, the LACERS' Board took several actions to change its asset smoothing method. LACERS, like a number of pension systems, maintains a policy that whenever market value falls outside a certain range or "corridor" relative to actuarial value, the excess portion must be recognized in that year's valuation. Previously, losses that resulted in the calculated actuarial value being greater than 120% of the market value, or gains resulting in market values being less than 80% of actuarial values, had to be recognized immediately. Because of investment losses for Fiscal Year 2008-09 of approximately 20%, LACERS' actuary estimated that the actuarial value would be greater than 120% of the market value of assets. Application of this corridor meant that losses would be recognized more quickly than would occur under normal smoothing. LACERS' Board adopted a wider corridor, effective June 30, 2009, requiring immediate recognition of the losses or gains of assets whose actuarial value was greater than 150% of the market value or less than 50% of the market value. The effect of this action was to defer the actuarial recognition of extraordinary market losses; however, the unrecognized losses will have to be paid in future years. LACERS again, as of June 30, 2010, revised its market corridor, narrowing it to 60%-140%, when the smoothing period was extended from five to seven years. Under seven-year asset smoothing, only 1/7 of annual market gains or losses are recognized in the actuarial value of assets each year. The remaining gains or losses are spread equally over the next six years.

As of June 30, 2014, there was a total unrecognized net gain of $1.1 billion, reflecting six years of fairly large annual market gains and losses from a volatile market. In order to limit future fluctuations in asset values, the LACERS Board adopted a one-time adjustment to its current asset smoothing policy by combining the unrecognized gains and losses of the prior years into one layer and spreading it evenly over six years. The following table shows the original market gains and losses, and the unrecognized gains and losses as of June 30, 2014. As of the valuation date of June 30, 2014, approximately $1 billion of net investment gains are being deferred. These deferred gains will be reflected in future valuations and will reduce the City's contribution in the future, unless offset by other unfavorable plan experience.

Table 28
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
CALCULATION OF UNRECOGNIZED RETURN DUE TO ASSET SMOOTHING
As of June 30, 2014

Year Ended June 30	Original Market Gain (Loss)	Percent Not Yet Recognized	Amount Not Recognized
2014	$ 1,246,285,581	85.71%	$1,068,244,784
2013	683,838,549	83.33[1]	(67,976,184)[1]
2012	(770,325,267)	NA	NA
2011	1,208,621,516	NA	NA
2010	392,956,483	NA	NA
2009	(2,964,832,484)	NA	NA
Total unrecognized return (loss)			**$1,000,268,600**

(1) Valuation as of June 30, 2014 recognizes 1/6 of $81,571,421 net total unrecognized loss as of June 30, 2013 (or $13,595,237), with the balance to be recognized over the next five years.

Source: Los Angeles City Employees' Retirement System Actuarial Valuation and Review of Retirement and Health Benefits as of June 30, 2014.

LACERS amortizes components that contribute to its UAAL over various periods of time, depending on how the unfunded liability arose, layering separate, fixed amortization periods. Under current funding policy, actuarial losses and gains are amortized over fixed 15-year periods. Liabilities or surpluses due to assumption changes are funded or credited over 15 or 20 years for retiree health care benefits and retirement benefits, respectively. Liabilities caused by future early retirement incentives will be funded over five years; other benefit changes will be amortized over 15 years. Effective for the June 30, 2012 valuation, most existing liabilities on or before June 30, 2012 were combined under one layer and amortized over 30 years. The LACERS Board implemented this revised amortization policy to mitigate the impact of the change in funding policy from the Projected Unit Credit cost method to Entry Age Normal cost method.

The table below shows the actuarial value of the City's liability for retirement benefits (excluding retiree health care and other post-employment benefits), the actuarial value of assets available for retirement benefits, and two indicators of funding progress for LACERS, the funded ratio and the ratio of UAAL to annual payroll.

Table 29
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS FOR RETIREMENT BENEFITS
ACTUARIAL VALUE BASIS
($ in thousands)[1]

Actuarial Valuation As of June 30	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL[2]	Funded Ratio[3]	Covered Payroll[4]	Unfunded AAL as a Percentage Of Covered Payroll[5]
2005	$ 7,193,142	$ 9,321,525	$ 2,128,383	77.2%	$ 1,589,306	133.9%
2006	7,674,999	9,870,662	2,195,663	77.8	1,733,340	126.7
2007	8,599,700[6]	10,526,874	1,927,174	81.7	1,896,609	101.6
2008	9,438,318	11,186,404	1,748,085	84.4	1,977,645	88.4
2009	9,577,747	12,041,984	2,464,237	79.5	1,816,171	135.7
2010	9,554,027	12,595,025	3,040,998	75.9	1,817,662	167.3
2011	9,691,011	13,391,704	3,700,693	72.4	1,833,392	201.9
2012	9,934,959	14,393,959	4,458,999	69.0	1,819,270	245.1
2013	10,223,961	14,881,663	4,657,702	68.7	1,846,970	252.2
2014	10,944,751	16,248,853	5,304,103	67.4	1,898,064	279.5

(1) Table includes funding for retirement benefits only. Other Post-Employment Benefits (OPEB) are not included.
(2) Actuarial Accrued Liability minus Actuarial Value of Assets, commonly referred to as UAAL. Positive numbers represent a funded ratio less than 100%.
(3) Actuarial value of assets divided by actuarial accrued liability.
(4) Annual payroll for members of LACERS.
(5) UAAL divided by covered payroll.
(6) Valuation value of assets is after excluding $5,269,481 of discounted Harbor Port Police assets transferred to FPPP in October 2007.

Source: Los Angeles City Employees' Retirement System Actuarial Valuation and Review of Retirement and Health Benefits as of June 30, 2014.

The actuarial value of assets is different from the market value of assets as gains and losses are smoothed over a number of years. The following table shows the funding progress of LACERS based on the market value of the portion of system assets allocated to retirement benefits.

Table 30
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS FOR RETIREMENT BENEFITS
MARKET VALUE BASIS
($ in thousands)[1]

Actuarial Valuation As of June 30	Market Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Liability[2]	Funded Ratio (Market Value)[3]	Covered Payroll[4]	Unfunded Liability as a Percentage Of Covered Payroll (Market Value)[5]
2005	$ 7,393,707	$ 9,321,525	$ 1,927,818	79.3%	$ 1,589,306	121.3%
2006	8,204,603	9,870,662	1,666,059	83.1	1,733,340	96.1
2007	9,708,718	10,526,874	818,156	92.2	1,896,609	43.1
2008	9,059,551	11,186,404	2,126,853	81.0	1,977,645	107.5
2009	7,122,911	12,041,984	4,919,073	59.2	1,816,171	270.9
2010	7,804,223	12,595,025	4,790,802	62.0	1,817,662	263.6
2011	9,186,697	13,391,704	4,205,007	68.6	1,833,392	229.4
2012	9,058,839	14,393,959	5,335,120	62.9	1,819,270	293.3
2013	10,154,486	14,881,663	4,727,177	68.2	17436,113	272.3
2014	11,791,079	16,248,853	4,457,774	72.6	1,802,931	247.3

(1) Table includes funding for retirement benefits only. Other Post-Employment Benefits (OPEB) are not included.
(2) Actuarial Accrued Liability minus Market Value of Assets. Positive numbers represent a funded ratio less than 100%.
(3) Market value of assets divided by actuarial accrued liability.
(4) Annual payroll for members of LACERS.
(5) Unfunded liability divided by covered payroll.

Source: Los Angeles City Employees' Retirement System Actuarial Valuation reports.

The table below summarizes the City's payments to LACERS over the past five years. This table includes costs for retirement, as well as for retiree health care (see **"BUDGET AND FINANCIAL OPERATIONS — Other Post-Employment Benefits"**), and other miscellaneous benefits.

Table 31
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
SOURCES AND USES OF CONTRIBUTIONS
($ in thousands)[1]

	2011-12	2012-13 [2]	2013-14	2014-15	Adopted Budget 2015-16
Sources of Contributions					
Contributions for Council-controlled Departments	$351,734	$342,188	$367,772	$411,509	$434,640
Airport, Harbor Departments, LACERS, LAFPP	72,781	77,917	83,759	94,209	102,171
Total	$424,515	$420,105	$451,531	$505,718	$536,811
Percent of payroll – Tier 1	24.71%	24.14%	25.33%	26.56%	28.75%
Percent of payroll – Tier 2			18.32%	19.63%	22.62%
Uses of Contributions					
Current Service Liability (Normal cost)	$186,487	$184,202	$185,217	$193,769	$190,446
UAAL	237,262	234,896	265,081	305,891	363,312
Adjustments[3][4][5]	766	1,007	1,233	6,058	(16,947)
Total	$424,515	$420,105	$451,531	$505,718	$536,811

(1) Includes funding for OPEB.
(2) A $3.7 million credit from 2011-12 was applied to 2012-13. The actual amount paid for Council-controlled departments, Airports, and Harbor to LACERS subsequent to this credit was $416.4 million.
(3) Includes the excess benefit plan, the family death benefit plan, and the limited term plan fund. Beginning with the 2014-15 payment, the true-up obligation for the prior year is also reflected in this line item.
(4) Payment for a 2013-14 true-up in the amount of $5,191,511 (all agencies) will be made in 2014-15.
(5) Adjustments for 2015-16 include the 2014-15 true-up which consists of an $18,052,498 credit (all agencies) which is partially offset by $1,105,000 in excess benefit, family death and limited term plan costs.

Source: City of Los Angeles, Office of the City Administrative Officer.

In late 2012, the City Council adopted a new civilian retirement tier, which applies to all employees hired on or after July 1, 2013. Prior to the adoption of the new tier, the City successfully negotiated and/or implemented various savings measures to reduce retirement costs, including increasing active member pension contributions from 7% to 11% to help defray the costs of retiree healthcare, freezing retiree health care subsidies for noncontributing employees, deferring cost-of-living adjustments, reducing the size of the civilian workforce by 5,300 positions, implementing a new pension tier for sworn personnel, and lowering the new hire salary for police officers by 20%, which it later reversed in August 2014. Although such measures were significant in helping to ameliorate the City's fiscal difficulties, implementation of a new civilian retirement tier was viewed as necessary to further reduce future costs.

On July 28, 2014, the City Employee Relations Board ruled that the City's action in creating the new civilian retirement tier was illegal because the City did not meet and confer with labor representatives on the matter. The Board ordered that the City rescind the implementation of the new retirement tier. The City subsequently filed an appeal of the ruling in State court and entered into a mandatory settlement conference phase. As a part of the agreement with the Coalition of Los Angeles City Unions, both the City and the Coalition have agreed to dismiss with prejudice all legal actions. Once an ordinance is adopted, any new employee will be enrolled in a new Tier 3. The settlement agreement states that the Tier 3 benefits will be as follows: a maximum of 80% of final compensation, normal retirement age of 63 with 30 years of service with a 2% retirement factor and final compensation will be the highest 36-month average compensation earnable. Employees will vest retiree health benefits in exchange for a 4% salary contribution, which will be subject to future negotiations. Employees will also contribute 7% toward their pension benefits. In total, employees will contribute 11% of their salary for retirement benefits.

In light of the agreement with the Coalition, the approximately 2,347 employees hired between July 1, 2013 and October 3, 2015, which are currently in Tier 2, will be transferred to Tier 1 at the City's expense. The financial impact of these decisions are expected to be determined by the LACERS' actuary based on actual transfers. The cost may be incurred in the current fiscal year in an amount unknown at this time.

The City contribution is determined annually based on the estimated payroll for the coming fiscal year for LACERS-covered employees (as adopted through the City budget process), multiplied by an actuarially determined contribution percentage needed to fund the retirement and retiree healthcare benefits (as adopted by the LACERS Board). If the estimated covered payroll is less than the actual payroll amount, an actuarial loss will occur as the actual contribution is less than what is expected. Conversely an actuarial gain will occur if the estimated covered payroll is higher than the actual payroll amount. These annual experience gains/losses are added to the UAAL and amortized over 15 years. The City's future contributions will increase or decrease in the next 15 years to compensate for the contribution shortfall or surplus of a given year. Therefore, from the plan funding perspective, the inexactness in estimated covered payroll does not affect a pension plan's long-term funding goal.

The following table sets forth LACERS' investments and asset allocation targets.

Table 32
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
ASSET CLASS MARKET VALUE AND ALLOCATION
($ in thousands)
As of June 30, 2015

Asset Class	Market Value	Market Value to Total Fund (%)	Target to Total Fund (%)
U.S. Equity	$3,810,000	26.9%	24.0%
Non-U.S. Equity	4,330,000	30.6	29.0
Private Equity	1,340,000	9.5	12.0
Fixed Income Securities	3,390,000	24.0	24.0
Real Assets	1,110,000	7.9	10.0
Cash	160,000	1.2	1.0
Total Portfolio	$14,150,000	100.0%	100.0%

Source: LACERS Portfolio Performance Review for the Quarter Ending December 31, 2014.

Fire and Police Pension Plan ("FPPP")

The FPPP, established in 1899 and incorporated into the Charter in 1923, represents contributory plans covering uniformed fire, police, and certain port police (sworn) personnel. As of June 30, 2014, the date of its most recent actuarial valuation, the FPPP had 13,097 active members, 12,502 retired members and beneficiaries, and 131 vested former members. The FPPP is funded pursuant to the Entry Age Normal Cost Method, which is designed to produce stable employer contributions in amounts that increase at the same rate as the employer's payroll (i.e., level percent of payroll).

Within the FPPP, there is a Deferred Retirement Option Plan ("DROP"). This voluntary plan allows members to retire for pension purposes only, after they are eligible to retire and have completed at least 25 years of service. A member entering DROP continues to work and receive salary and benefits as an active employee, but stops accruing additional salary and service credits for retirement purposes. While in DROP, the member's retirement benefit is deposited into an interest-bearing account that is distributed to the member when he or she leaves City service. Participation in DROP is limited to a maximum of five years. As of June 30, 2014, 1,277 active members participated in DROP.

Six tiers of benefits are provided, depending on the date of the member's hiring. For Tier 1, any UAAL is amortized over a fixed term ending on June 30, 2037. For Tiers 2, 3, and 4, level percent of payroll amortization with multiple layers is used as a percent of total valuation payroll from the respective employer (i.e., City or Harbor Port Police). For Tiers 5 and 6, level percent of payroll with multiple layers is used as a percent of combined payroll for these tiers from the respective employer. A Charter amendment adopted by City voters on March 8, 2011 provides the FPPP Board with greater flexibility to establish amortization policies. Under the FPPP Board's actuarial funding policy, adopted in September 2012, actuarial gains or losses are amortized over 20 years; changes in actuarial assumptions and cost methods are amortized over 25 years; plan amendments are amortized over 15 years; and actuarial funding surpluses are amortized over 30 years. That same Charter amendment created a new tier of retirement benefits (Tier 6) for sworn employees hired after July 1, 2011.

A number of assumptions are made in calculating the actuarial valuation of retirement benefits. The following are some of the key assumptions used by the FPPP actuary, The Segal Company, in preparing FPPP's actuarial report.

Table 33
LOS ANGELES FIRE AND POLICE PENSION PLAN
Actuarial Assumptions
As of June 30, 2014

Investment rate of return	7.50%
Inflation rate	3.25%
Real across-the-board salary increase	0.75%
Projected salary increases	Ranges from 4.75% to 11.50% based on service
Cost of living adjustments (pensioners)	3.25% for Tiers 1 and 2 and 3.00% for Tiers 3, 4, 5 and 6.

Source: LAFPP Actuarial Valuation and Review of Pension and Other Postemployment Benefits (OPEB) as of June 30, 2014.

The FPPP Board recently reviewed several reports from its actuary, The Segal Company, including a new triennial actuarial experience study covering July 1, 2010 through June 30, 2013, and a review of economic assumptions. As a result, the FPPP Board lowered the system's investment return assumption from 7.75% to 7.50%, and also lowered various inflation and salary increase assumptions. The cumulative effect of these changes resulted in an increase in the City's contribution rate of less than 1%.

Similar to LACERS, FPPP has taken several actions to change its asset smoothing method. It extended the period of time over which market gains or losses are recognized, extending its smoothing methodology from five years to seven years effective July 1, 2008, so that approximately 1/7 of market losses or gains are recognized each year. FPPP also amended the manner in which they recognize extraordinary losses or gains in the market value of assets, expanding their market value "corridor." Because of investment losses for Fiscal Year 2008-09 of approximately 20%, FPPP adopted a wider corridor (effective July 1, 2008), requiring immediate recognition of assets whose actuarial value was greater than 140% of the market valuation or less than 60% of the market value; the prior corridor was 80% to 120%. Based on its actuary's recommendation, the FPPP recently adopted an ad hoc adjustment combining deferred gain and loss layers representing a net deferred investment gain of $77.3 million into a single six-year smoothing layer in to order to reduce year-to-year contribution rate volatility, similar to the adjustment adopted by LACERS.

The following table shows unrecognized gains and losses as of June 30, 2014 for retirement and health subsidy benefits. As of the valuation date, approximately $1.4 billion of net investment return is being deferred.

Table 34
LOS ANGELES FIRE AND POLICE PENSION PLAN
CALCULATION OF UNRECOGNIZED RETURN
As of June 30, 2014

	Original Market Gain (Loss)	Percent Not Recognized	Amount Not Recognized
Market value of assets (for Retirement and Health Subsidy Benefits)			
Unrecognized return for year ended June 30, 2014	$1,571,818,656	85.71%	$1,347,273,134
Combined Net Deferred Gain as of June 30, 2013 [1]	77,259,408	83.33%	64,382,840
Total unrecognized return			$1,411,655,974
Deferred return recognized in each of the next 6 years			
Amount recognized on June 30, 2015			237,422,090
Amount recognized on June 30, 2016			237,422,090
Amount recognized on June 30, 2017			237,422,090
Amount recognized on June 30, 2018			237,422,090
Amount recognized on June 30, 2019			237,422,090
Amount recognized on June 30, 2020			224,545,524
Subtotal			$1,411,655,974

[1]Net deferred unrecognized investment gains as of June 30, 2013 have been combined into a single layer to be recognized over the six-year period effective July 1, 2013.

Source: LAFPP Actuarial Valuation and Review of Pension and Other Post Employment Benefits (OPEB) as of June 30, 2014.

The table below shows the actuarial value of the City's liability for retirement benefits (excluding retiree health care and other post-employment benefits), the actuarial value of assets available for retirement benefits, and two indicators of funding progress for FPPP, the funded ratio and the ratio of UAAL to annual payroll.

Table 35
LOS ANGELES FIRE AND POLICE PENSION PLAN
SCHEDULE OF FUNDING PROGRESS FOR RETIREMENT BENEFITS
ACTUARIAL VALUE BASIS
($ in thousands) [1]

Actuarial Valuation As of June 30	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL[2]	Funded Ratio[3]	Covered Payroll[4]	Unfunded AAL as a Percentage Of Covered Payroll[5]
2005	$11,634,114	$12,357,524	$ 723,411	94.1%	$1,037,445	69.7%
2006	12,121,403	12,811,384	689,981	94.6	1,092,815	63.1
2007	13,215,668	13,324,089	108,421	99.2	1,135,592	9.5
2008	14,153,296	14,279,116	125,820	99.1	1,206,589	10.4
2009	14,256,611	14,817,146	560,535	96.2	1,357,249	41.3
2010	14,219,581	15,520,625	1,301,044	91.6	1,356,986	95.9
2011	14,337,669	16,616,476	2,278,807	86.3	1,343,963	169.6
2012	14,251,913	17,030,833	2,778,920	83.7	1,341,914	207.1
2013	14,657,713	17,632,425	2,974,712	83.1	1,367,237	217.6
2014	15,678,480	18,114,229	2,435,749	86.6	1,402,715	173.6

(1) Table includes funding for retirement benefits only. Other post-employment benefits not included.
(2) Actuarial Accrued Liability minus Actuarial Value of Assets, commonly referred to as UAAL. Positive numbers represent an actuarial deficit.
(3) Actuarial value of assets divided by actuarial accrued liability.
(4) Annual payroll against which UAAL amortized.
(5) UAAL divided by covered payroll.

Source: The Fire and Police Pension System Actuarial Valuations.

Investment gains and losses are recognized on an actuarial basis over a seven-year period. The following table shows the funding progress of FPPP based on the market value of the portion of system assets allocated to retirement benefits.

Table 36
LOS ANGELES FIRE AND POLICE PENSION PLAN
SCHEDULE OF FUNDING PROGRESS FOR RETIREMENT BENEFITS
MARKET VALUE BASIS
($ in thousands) [1]

Actuarial Valuation As of June 30	Market Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded or (Overfunded) Liability[2]	Funded Ratio (Market Value)[3]	Covered Payroll[4]	Unfunded Liability as a Percentage Of Covered Payroll (Market Value)[5]
2005	$11,775,706	$12,357,524	$ 581,818	95.3%	$1,037,445	56.1%
2006	12,854,086	12,811,384	(42,702)	100.3	1,092,815	(3.9)
2007	14,766,110	13,324,089	(1,442,021)	110.8	1,135,592	(0.1)
2008	13,622,037	14,279,116	657,079	95.4	1,206,589	54.5
2009	10,379,786	14,817,146	4,437,360	70.1	1,357,249	326.9
2010	11,535,936	15,520,625	3,984,688	74.3	1,356,986	293.6
2011	13,564,904	16,616,476	3,051,572	81.6	1,343,963	227.1
2012	13,268,687	17,030,833	3,762,146	77.9	1,341,914	280.4
2013	14,729,976	17,632,425	2,902,449	83.5	1,367,237	212.3
2014	16,989,705	18,114,229	1,124,524	93.8	1,402,715	80.2

(1) Table includes funding for retirement benefits only. Other post-employment benefits not included.
(2) Actuarial Accrued Liability minus Market Value of Assets. Positive numbers represent a deficit.
(3) Market value of assets divided by actuarial accrued liability.
(4) Annual payroll against which liability is amortized.
(5) Liability divided by covered payroll.

Source: The Fire and Police Pension System Actuarial Valuations.

The table below summarizes the General Fund's payments to FPPP over the past five fiscal years. This table includes costs for retirement, retiree health care (see **"BUDGET AND FINANCIAL OPERATIONS — Other Post-Employment Benefits"**), and other miscellaneous benefits.

Table 37
LOS ANGELES FIRE AND POLICE PENSION PLAN
SOURCES AND USES OF CONTRIBUTIONS
($ in thousands)

	2011-12	2012-13	2013-14	2014-15	Adopted Budget 2015-16
General Fund	$441,861	$506,086	$575,941	$624,974	$623,415
Percent of payroll	39.07%	39.94%	44.40%	47.94%	46.51%
Current Service Liability	$276,171	$214,223	$302,040	$306,625	$306,841
UAAL/(Surplus)	165,689	291,863	273,901	318,349	303,580
Administrative Costs[1]	-	-	-	-	12,994
Adjustments[2]	-	-	-	-	-
Total	$441,861	$506,086	$575,941	$624,974	$623,415

[1] Beginning in 2015-16, administrative expenses are separately identified in the contribution rate in conjunction with Governmental Accounting Standards Board (GASB 67) reporting. These costs are inclusive of Health and Pension administrative costs.
[2] Effective FY 2010-11, the Excess Benefit Plan costs are now credited as part of the Annual Required Contribution (i.e., the costs are included in the contribution rate).

Source: City of Los Angeles, Office of the City Administrative Officer.

The following table sets forth the FPPP's investments and asset allocation targets as of June 30, 2015.

Table 38
LOS ANGELES FIRE AND POLICE PENSION PLAN
ASSET CLASS BY MARKET VALUE AND ALLOCATION
($ in millions)
As of June 30, 2015

	Market Value	**Percent Allocation**
Domestic Large Cap Equity	$5,019.5	26.97%
Domestic Small Cap Equity	1,299.3	6.98
International Developed Markets	3,198.4	17.18
International Emerging Markets	741.1	3.98
Domestic Bonds	3,220.5	17.30
High Yield Bonds	472.6	2.54
Unconstained Fixed Income	372.0	2.00
Real Estate	1,879.6	10.10
Private Equity	1,562.7	8.39
Commodities	519.9	2.79
Cash House Accounts	328.8	1.77
Total	**$18,614.4**	**100.00%**

Source: Los Angeles Fire & Police Pensions June 30, 2015 Performance Report.

Accounting and Financial Reporting Standards

In 2012, GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions ("GASB 68"), which applies to governmental entities such as the City, and Statement No. 67, Financial Reporting for Pension Plans ("GASB 67"), which applies to the financial reports of most pension plans such as LACERS and FPPP.

GASB 67 revised existing guidance for the financial reports of most pension plans, including LACERS and FPPP. GASB 67 generally expands the existing framework for financial reports of defined benefit pension plans, which includes a statement of "Fiduciary Net Position" (the amount held in a trust for paying retirement benefits, generally the market value of assets) and a statement of changes in Fiduciary Net Position, and requires additional note disclosures and required supplementary information. LACERS and FPPP complied with the provisions of GASB 67 by its effective date (i.e., financial statements for Fiscal Year 2013-14). Most of the reporting requirements of GASB 68 related to the Net Pension Liability are included in the note disclosures and required supplementary information of the Pension Plans.

GASB 68 revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits, including the City. GASB 68, among other things, requires governments providing defined benefit pensions to recognize the difference between pension plans' Fiduciary Net Position and their long-term obligation for pension benefits as a liability ("Net Pension Liability"), and provides greater guidance on measuring such obligation, including specific guidelines on projecting benefit payments, use of discount rates and use of the "entry age" actuarial cost method. GASB 68 also addresses accountability and transparency through revised and new note disclosures and required supplementary information. The GASB 68 standards apply to financial reporting but not to the actuarial calculation of annual City employer pension contributions, which continue to be determined actuarially by each plan.

The provisions in GASB 68 are effective for fiscal years beginning after June 15, 2014. The City anticipates complying with the provisions of GASB 68 by its effective date (i.e., its financial statements for Fiscal Year 2014-15). In broad terms, the most significant change contained in GASB 68 is the requirement to report a Net Pension Liability on the employers' Government-Wide Statements of Net Assets when the fair value of pension assets falls short of actuarially calculated liabilities. Once these provisions are implemented, the City's liabilities under its Statement of Net Position for both its Governmental and Business-Type Activities will substantially increase, as will its unrestricted Governmental Activities deficit. As GASB 68 moves pension reporting in the City's government-wide financial statements away from the phased or smoothed asset and liability figures that the City uses in determining its annual pension contribution, the City expects that these changes will increase year-to-year volatility in reported pension assets and liabilities.

GASB 67 and GASB 68 address the disclosure of pension liability only; they do not impose any funding requirements, and the City does not expect to alter the way the City funds these liabilities. The City expects to continue to fully fund the pension at the amount recommended by the Pension Systems and their actuaries to finance annual normal costs and to amortize its unfunded liabilities consistent with current practice. The City's Airports and Harbor enterprise funds will include a proportional allocation of the City's Net Pension Liability.

Other Post-Employment Benefits

Retired members and surviving spouses and domestic partners of LACERS and FPPP members are eligible for certain subsidies toward their costs of medical insurance and other benefits. These benefits are paid by the respective retirement system. These retiree health benefits are accounted for as "Other Post-Employment Benefits" ("OPEB").

The City began making payments to its Pension Systems to pre-fund its OPEB obligations in Fiscal Year 1989-90, in an amount then determined by the Pension Systems and their actuaries. For the five years beginning Fiscal Year 2007-08, less than the ARC was contributed to the FPPP, primarily reflecting the phasing in of increases in assumed medical cost. The calculations of OPEB funding requirements are made by the same actuaries that perform the analysis of the Pension Systems' retirement benefits, and generally rely on the same actuarial assumptions, other than those assumptions such as medical inflation specific to OPEB.

As of June 30, 2014, the unfunded healthcare benefits liabilities of LACERS and the FPPP are as follows:

Table 39
OTHER POST-EMPLOYMENT BENEFITS
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
($ in thousands)

Actuarial Valuation As of June 30	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL[1]	Funded Ratio[2]	Covered Payroll[3]	Unfunded AAL as a Percentage of Covered Payroll[4]
2006	$ 990,270	$1,730,799	$740,529	57.2%	$1,733,340	42.7%
2007	1,185,544	1,730,400	544,856	68.5	1,896,609	28.7
2008	1,342,920	1,928,043	585,123	69.7	1,977,645	29.6
2009	1,342,497	2,058,177	715,680	65.2	1,816,171	39.4
2010	1,425,726	2,233,874	808,148	63.8	1,817,662	44.5
2011	1,546,884	1,968,708	421,824	78.6	1,833,392	23.0
2012	1,642,374	2,292,400	650,027	71.6	1,819,270	35.7
2013	1,734,733	2,412,484	677,751	71.9	1,846,970	36.7
2014	1,941,225	2,662,853	721,628	72.9	1,898,064	38.0

(1) Actuarial Accrued Liability minus Actuarial Value of Assets, commonly referred to as UAAL. Positive numbers represent an actuarial deficit.
(2) Actuarial value of assets divided by actuarial accrued liability.
(3) Annual payroll against which UAAL amortized.
(4) UAAL divided by covered payroll.

Source: The City of Los Angeles City Employees' Retirement System Actuarial Valuations.

Table 40
OTHER POST-EMPLOYMENT BENEFITS
FIRE AND POLICE PENSION PLAN
($ in thousands)

Actuarial Valuation As of June 30	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL[1]	Funded Ratio[2]	Covered Payroll[3]	Unfunded AAL as a Percentage of Covered Payroll[4]
2007	$ 687,096	$ 1,656,653	$ 969,557	41.5%	$1,135,592	85.4%
2008	767,647	1,836,840	1,069,193	41.8	1,206,589	88.6
2009	809,677	2,038,659	1,228,982	39.7	1,357,249	90.6
2010	817,276	2,537,825	1,720,549	32.2	1,356,986	126.8
2011	882,890	2,557,607	1,674,716	34.5	1,343,963	124.6
2012	927,362	2,499,289	1,571,927	37.1	1,341,914	117.1
2013	1,013,400	2,633,793	1,620,393	38.5	1,367,237	118.5
2014	1,200,874	2,783,283	1,582,409	43.2	1,402,715	112.8

(1) Actuarial Accrued Liability minus Actuarial Value of Assets, commonly referred to as UAAL. Positive numbers represent an actuarial deficit.
(2) Actuarial value of assets divided by actuarial accrued liability.
(3) Annual payroll against which UAAL amortized.
(4) UAAL divided by covered payroll.

Source: The Fire and Police Pension System Actuarial Valuations.

Historically, plan members did not contribute towards healthcare subsidy benefits; all such costs were funded from the employer's contribution and investment returns thereon. The City negotiated bargaining agreements that will reduce the City's contributions for OPEB benefits, which include a 4% active employee contribution toward retiree healthcare for 99% of its civilian workforce and a 2% active employee contribution toward retiree healthcare for 71% of its eligible sworn workforce (representing 64% of the sworn workforce). Employees who elected to contribute will have their current retiree health benefits and any future subsidy increases vested. For those civilian bargaining units and sworn employees that opted not to make an additional contribution toward retiree healthcare, their retiree health subsidy has been frozen and cannot surpass the maximum subsidy level in effect as of July 1, 2011.

Two lawsuits are pending that challenge the City's actions relative to freezing OPEB benefits: *Jack Fry, Gary Cline, Sandra Carlsen, Yvette Moreno, and Los Angeles Retired Fire & Police Association, Inc. v. City of Los Angeles;* and *Los Angeles Police Protective League v. Board of Fire and Police Pension Commissioners v. City of Los Angeles*. See "**LITIGATION**," herein.

Projected Retirement and Other Post-Employment Benefit Expenditures

The table below illustrates the City's projected contributions to LACERS for the next four fiscal years, assuming no change to the actuarial assumptions used by LACERS' actuary for the actuarial valuation as of June 30, 2014. These contributions illustrate the projected cost of both pension and OPEB under the existing assumptions. These projections reflect the actuarial assumptions described above.

Table 41
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
PROJECTED CONTRIBUTIONS
($ in thousands)

	Adopted Budget 2015-16	2016-17	2017-18	2018-19	2019-20
LACERS					
Contributions for Council-controlled Departments[(1)(2)]	$434,640	$444,966	$431,629	$420,154	$412,495
Percentage of payroll[(3)]	28.26%	27.49%	26.24%	25.03%	23.92%
Incremental Change		$ 10,326	$ (13,337)	$ (11,475)	$ (7,659)
% Change		2.3%	(3.0)%	(2.7)%	(1.8)%

(1) Includes the General Fund and various special funds.
(2) Assumes 7.50% return on investment.
(3) Reflects combined rates for Tiers 1 and 2.

Source: City of Los Angeles, Office of the City Administrative Officer. Based on information from the LACERS actuary commissioned by the City Administrative Officer.

The table below illustrates the City's projected contributions to FPPP, including the projected cost of pension and other post-employment benefits, for the next four fiscal years, based on an illustration provided by FPPP's actuary using the plan's assumed rate of return of 7.5%. These contributions include the projected cost of other post-employment benefits. These illustrations, which are based on the June 30, 2014 actuarial valuation, reflect the deferred investment gains/losses from the previous years, the actuarial assumptions described above, and certain benefit enhancements implemented with the adoption of the Tier 5 plan in 2002. Potential savings from the establishment of the new Tier 6 pension plan, as approved by City voters in March 2011, are not reflected in these estimates. Savings will occur as current active employees are replaced by new employees in Tier 6.

Table 42
LOS ANGELES FIRE AND POLICE PENSION PLAN
PROJECTED CONTRIBUTIONS[(1)]
($ in thousands)

	Adopted Budget 2014-15	2015-16	2016-17	2017-18	2018-19
General Fund	$623,415	$638,894	$649,756	$626,989	$638,920
Percentage of Payroll	46.51%	45.56%	44.60%	41.85%	41.46%
Incremental Change		$ 15,479	$ 10,862	$ (22,767)	$ 11,931
% Change		2.5%	1.7%	(3.5)%	1.9%

(1) Assumes 7.50% return on investment.

Source: City of Los Angeles, Office of the City Administrative Officer. Based on information from the FPPP actuary commissioned by the City Administrative Officer.

LITIGATION

The following is a list prepared by the Office of the City Attorney updated as of October 5, 2015, of certain completed, pending or threatened litigation involving the City, excluding most personal injury cases and single plaintiff cases, which in the event of an adverse ruling the City believes based on current facts and circumstances that it has a possible financial exposure of $10 million or more and which, either individually or in the aggregate, which could materially affect the City's General Fund financial position.

For all other pending litigation, the City Attorney believes, based on current facts and circumstances, that the final determination of such litigation, either individually or in the aggregate, should not materially affect the City's General Fund financial position.

THE FOLLOWING LIST HAS BEEN TRUNCATED TO ONLY INCLUDE LITIGATION ADDRESSED AND RELATING TO THE FOREGOING EXCERPTS OF THE CITY'S APPENDIX A TO THE PRELIMINARY OFFICIAL STATEMENT OF THE CITY DATED NOVEMBER 3, 2015, IN CONNECTION WITH THE MUNICIPAL IMPROVEMENT CORPORATION OF LOS ANGELES TAXABLE LEASE REVENUE REFUNDING BONDS, SERIES 2015-A, WHICH IS AVAILABLE FROM THE MUNICIPAL SECURITIES RULEMAKING BOARD'S ELECTRONIC MUNICIPAL MARKET ACCESS SYSTEM.

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A number of claims have been filed in connection with the City's utility users' tax on telephone services, which was amended in 2008 and designed to eliminate any such future claims (see **"MAJOR GENERAL FUND REVENUE SOURCES — Utility Users' Taxes"** herein.). *Ardon v. City of Los Angeles* is a class action that challenged the validity of the City's telephone users' tax based on a federal government interpretation of the federal excise tax. The City settled this case in 2015 for $92.5 million.

In *Nextel Boost of California LLC v. City of Los Angeles,* the plaintiff, a provider of prepaid wireless services, seeks a refund of $6.3 million, which it alleges it overpaid for the period February 2007 through February 2008 in connection with the telephone users' tax. In *J2 Global Communications, Inc. v. City of Los Angeles*, the plaintiff seeks a $5.5 million refund for telephone users' taxes incurred for the years 2005, 2006 and 2007. Plaintiff makes the same federal excise tax argument as in *Ardon*, and also argues that the City's amendment to the Municipal Code was improper prior to voter approval in 2008. In *Sprint Telephony PCS, L.P. v. City of Los Angeles*, the plaintiff sought a refund in the amount of $8,320,000 for overpaid telephone users tax for the period January 1, 1998 through December 1, 2003 (the "Refund Period"). Plaintiff argued that it was not subject to the federal excise tax during the Refund Period. In *Sprint Communications Co. L.P. v. City of Los Angeles*, plaintiff sought a refund of $2.6 million. The City has settled the *Nextel Boost of California, LLC, Spring Telephony, PCS, L.P.* and *Spring Communications Co. L.P.* cases. The settlement for all three cases is "paid" over time in the form of credits against the Communications Users Tax taxes owed by the three companies. The credit is capped at $5.75 million for each 12-month period until a total of $23 million is reached. In *TracFone Wireless, Inc. v. City of Los Angeles*, the plaintiff, a national vendor of prepaid telephone cards, filed a complaint in December 2006, seeking a refund of approximately $180,000 based on the same arguments. The *TracFone and J2 Global* cases are related to the *Ardon* matter and are in the pre-trial stage.

In a second suit by Tracfone, *Tracfone Wireless, Inc. v. City of Los Angeles*, the plaintiff seeks $2.8 million for allegedly overpaid telephone users' taxes for the periods January 2006 through December 2009. This action is stayed pending resolution of the *Ardon* matter. *Sipple et al. v. City of Los Angeles* is not a FET case but involves related issues. On May 27, 2011, plaintiff filed a complaint against 137 public agencies, including the City, seeking a refund of TUT. Plaintiff contends that TUT was erroneously collected on internet access charges by carrier New Cingular Wireless and its affiliates. New Cingular Wireless filed a refund request in an amount slightly over $22 million. The trial court sustained the City's demurrer to the complaint on the grounds that the plaintiffs lacked standing to assert a claim on behalf of all City taxpayers and plaintiffs had failed to comply with the City's claiming ordinance. The Court of Appeal reversed the dismissal and the City has authorized a Petition for Review to the Supreme Court. If the Court of Appeal decision stands, the potential liability if the plaintiffs were to prevail, based on current facts and circumstances, is currently estimated at approximately $9.7 million.

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In addition to the cases listed above, two lawsuits have been filed challenging the City's actions relative to freezing OPEB Benefits. (See **"BUDGET AND FINANCIAL OPERATIONS—Other Post-Employment Benefits,"** above).

Jack Fry, Gary Cline, Sandra Carlsen, Yvette Moreno, and Los Angeles Retired Fire & Police Association, Inc. v. City of Los Angeles. This suit was filed by individual sworn employees regarding the City's action to freeze retiree health benefits for sworn employees who elect not to contribute to these benefits. On July 28, 2014, a Superior Court issued an interim order ruling that the petitioners have a vested right to a "non-frozen" health subsidy in retirement. The court did not rule that petitioners are entitled to any particular health subsidy amount. The City appealed the Superior Court's Decision. On November 12, 2014, the Court of Appeal granted the City's application for a Writ of Supersedeas which stays the Superior Court's order pending the City's appeals and requires the LAFPP Board to continue applying the retiree health care freeze ordinance. In March 2015, the City filed its opening brief in the Court of Appeal, and in late May, petitioners filed their responsive brief. The case is fully briefed and plaintiffs have indicated they are not interested in settling the case. Plaintiffs demand is for the City to revoke the health care freeze order. There is no date set for a hearing before the Court of Appeal. If the plaintiffs were to ultimately prevail in this case in reversing the "freeze," the City currently estimates based on current facts and circumstances, that the potential liability could range up to $67 million. In addition, Petitioners are seeking not only to reverse the "freeze" but also to invalidate the 2% additional pension contributions being made by employees in exchange for being exempt from the freeze. Based on current facts and circumstances, it is estimated that the additional pension contributions could amount to $16 million per year in reduced retirement contributions by the City.

Los Angeles Police Protective League and United Firefighters of Los Angeles City v. Board of Fire and Police Pension Commissioners v. City of Los Angeles. In this case, plaintiffs seek a judgment declaring that their letter of agreement with the City requires the Retirement Board to increase the retirees' medical subsidy by the maximum amount allowable per year under the Administrative Code. The City prevailed on a demurrer, but the Court of Appeal reversed and issued a remitter, sending the case back to the trial court, which will require resolution of disputed factual issues. A new trial date was set for July 16, 2016. In the event of an adverse ruling, and based on current facts and circumstances, the City currently estimates that potential liability could range as high as $16 million.

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