

Los Angeles International Airport 2009 Capital Financing Plan

Part 2



October 19, 2009



Discussion Overview

- Defining Success
- Financial Metrics
- Managing to the goal
- Next Steps

Defining Success

Delivering on the plan we've presented to the market

- Maintaining “AA” category ratings to achieve the lowest cost of capital
- Achieving revenue and expenses targets
- Providing a reasonable, value-driven airline cost structure

Course corrections will be required

- Uncertainty related to passenger traffic levels
- Structural changes to the airline industry
- Pace of economic recovery
- Regulatory changes
- Other unforeseen challenges and opportunities

Risk Metrics – Differentiating the Credit

Debt Service Coverage Ratio – Net Revenues / Debt Service

Relevance:

- Indicator of LAX's ability to pay its “mortgage”
- Indenture requirement = 1.25x
- Key metric used by Rating Agencies in differentiating credit ratings among issuers

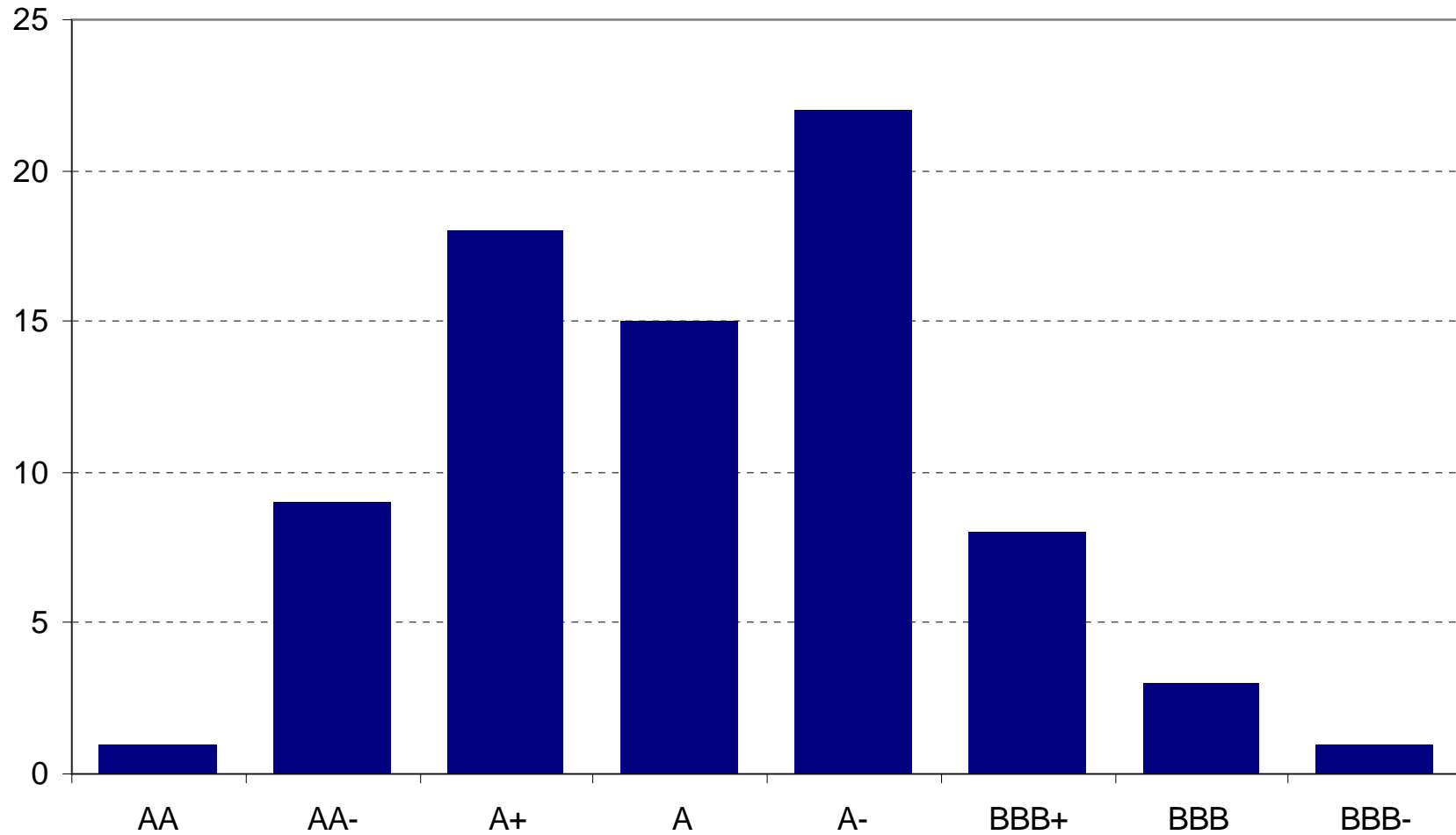
Days Cash – Unrestricted funds / Budgeted M&O Expenses X 365

Relevance:

- Indicator of LAX's ability to withstand a “shock” to operations or interruption in access to the capital markets
- Key metric used by Rating Agencies in differentiating ratings among issuers

Risk Metrics – Differentiating the Credit

S&P Airport Ratings
(Working Lien GARBs, as of October 2009)



Management Metrics – Staying Competitive

Debt per Enplaned Passenger – Outstanding Debt / EPAX

Relevance:

- Industry metric that correlates debt funded capital investment at airports with passenger traffic
- Commonly used as a comparative metric among airports to gauge capacity for additional debt supportable by traffic

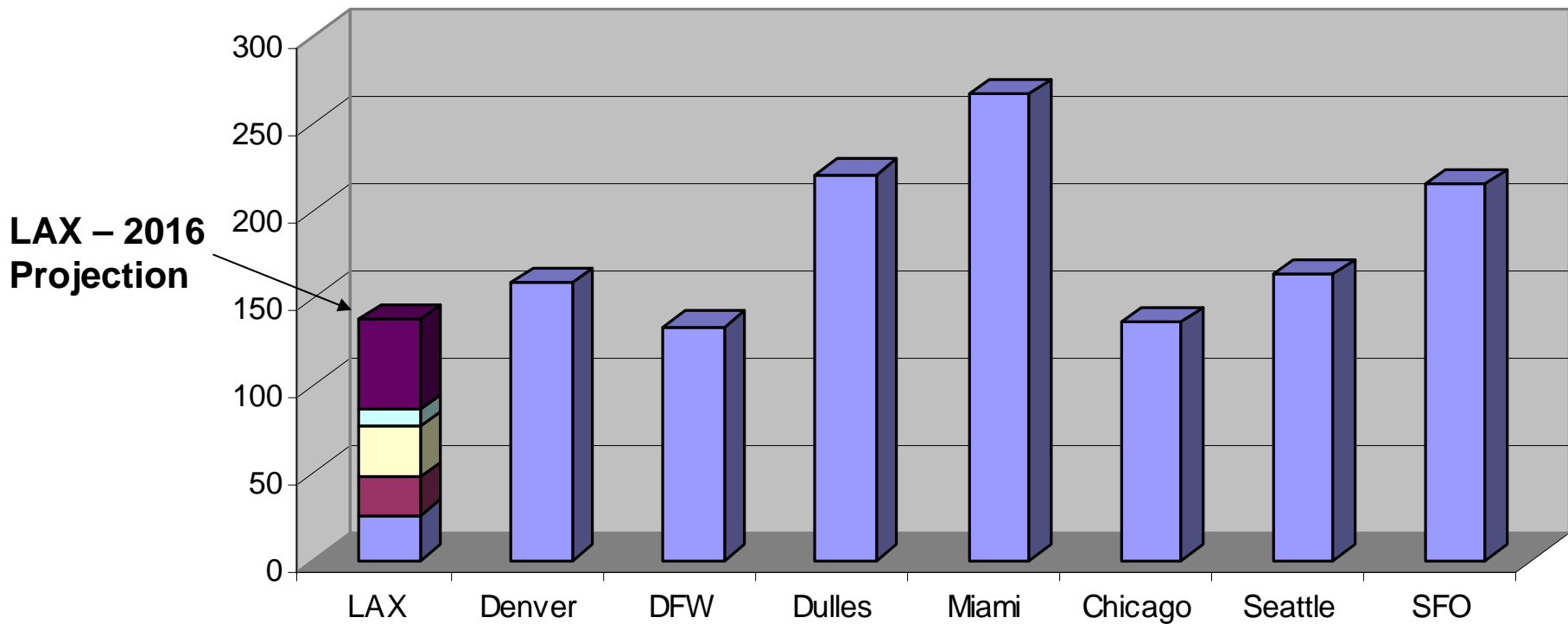
Cost per Enplaned Passenger – Passenger Airline Cost / EPAX

Relevance:

- Commonly used as a comparative metric among airports to gauge unit costs to airlines for operation at different facilities
- Indicator of impact that airport business decisions have on airline (may be a factor in airline routing and business decisions)
- Reported numbers can be unreliable due to lack of consistency between airports what services provided by airport vs airline

Management Metrics

Projected Debt per Enplaned Passenger



Management Metrics

	Actual	Estimated	Baseline Forecast**						
	2008	2009	2010	2011	2012	2013	2014	2015	2016
Liquidity (Days Cash on Hand)	375	388	384	379	382	404	404	432	457
Senior Lien Debt Service Coverage (x)*	9.60	10.18	7.08	3.47	3.45	3.02	2.43	2.32	2.51
Overall Debt Service Coverage (x)*	5.84	5.49	3.21	2.24	2.14	1.94	1.66	1.58	1.70
Long-Term Debt Per Enplanement (\$)	6.61	33.65	57.85	86.81	93.22	125.35	130.08	129.95	126.65
Cost Per Enplanement (\$)	8.60	11.56	11.16	12.49	13.89	14.94	16.52	18.68	19.65

* Does not include any potential savings from bond tender process

** \$4.50 PFC assumed throughout

Source: LAWA , Public Resources Advisory Group & the Airport Consultant

Managing the Outcome

Management has tools to achieve the forecasted results

- Non-aeronautical revenues
- Operating expenses
- Capital program management
- Passenger Facility Charges (PFCs)

Management Tools – Revenue Drivers

- Parking
- Concessions
- Real estate
- Advertizing
- Ground transportation and CTA access fees

Management Tools – Expense Containment

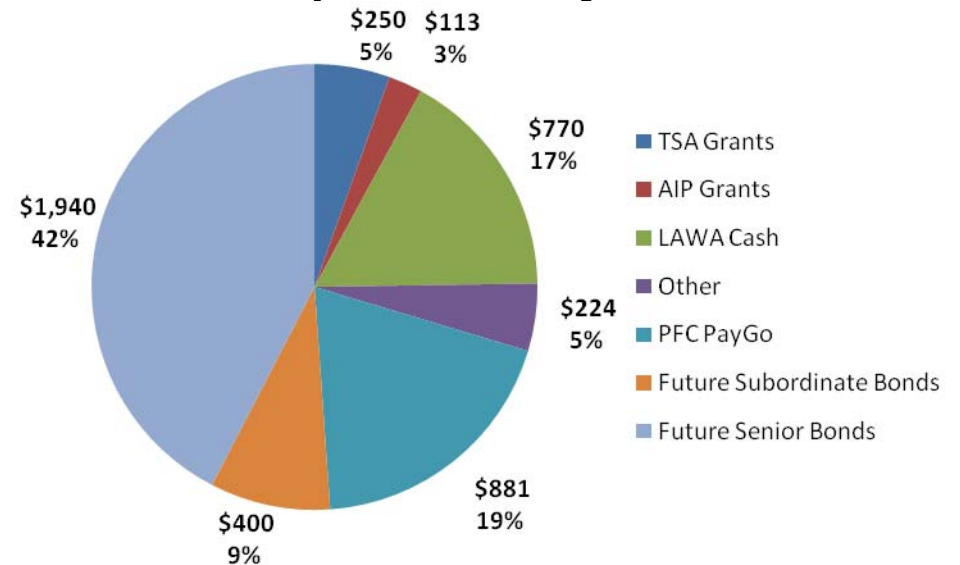
- Controlling growth in “recoverable” expenses lowers airline cost
 - Facilities Management Group – “Total cost of ownership”
 - Public safety and security deployment
 - Administrative overhead

- Controlling growth in “non-recoverable” expenses improves coverage and liquidity
 - Access and landside
 - Administrative overhead

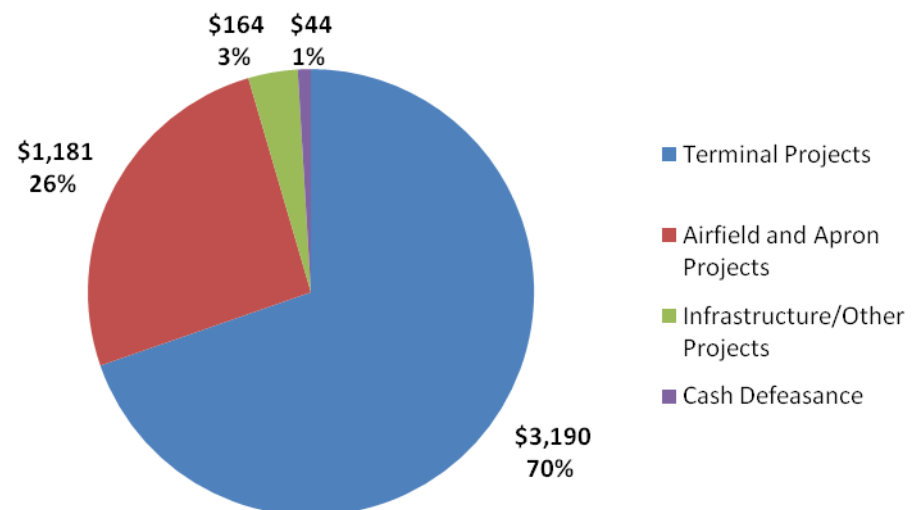
Management Tools – Capital Improvement Program

- Managing a \$5.6 billion capital budget
- Adhering to the project schedules
- Adjust the program as necessary to changes in the environment
 - Traffic
 - Economy

Other Incorporated Projects - Sources



Other Incorporated Projects - Uses



Management Tools – Passenger Facility Charges

- Deployment of PFC's beyond noise mitigation and public spaces creates opportunity to manage the impact of airline rate increases
- An increase in the level of the charge will give LAWA greater flexibility in managing the program and meeting our financial goals

Upcoming Milestones

Next Steps

1. **Today**
 - Submission of 2009 Bond documents for BOAC approval
2. **Late October/Early November**
 - Receive Ratings
 - Pricing of 2009 Bonds
 - Banker selection process for 2010 Bonds begins
3. **December - Review of 2009 transaction and update of progress toward 2010**