



*Los Angeles
World Airports*

Comprehensive Annual Financial Report

**Fiscal Years Ended
June 30, 2019 and 2018**

Department of Airports
Los Angeles, California



Los Angeles World Airports
Department of Airports
of the City of Los Angeles, California

**Comprehensive
Annual Financial Report**
Fiscal years ended
June 30, 2019 and 2018

Prepared by
Financial Reporting Division





This page intentionally left blank.



Los Angeles World Airports

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

Comprehensive Annual Financial Report Fiscal Years Ended June 30, 2019 and 2018

Table of Contents

INTRODUCTORY SECTION

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

FINANCIAL SECTION

1 Report of Independent Auditors

5 Management's Discussion and Analysis (Unaudited)

Financial Statements

- 39 Statements of Net Position
- 41 Statements of Revenues, Expenses and Changes in Net Position
- 42 Statements of Cash Flows
- 47 Notes to the Financial Statements (Index Page 45)

Required Supplementary Information (Unaudited)

- 109 Schedule of LAWA's Proportionate Share of the Net Pension Liability
- 110 Schedule of Contributions - Pension
- 111 Notes to Schedule - Pension
- 112 Schedule of LAWA's Proportionate Share of the Net OPEB Liability
- 113 Schedule of Contributions - OPEB
- 114 Notes to Schedule - OPEB

Supplemental Information

- 118 Combining Schedule of Net Position
- 122 Combining Schedule of Revenues, Expenses and Changes in Net Position

Los Angeles World Airports

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

Comprehensive Annual Financial Report Fiscal Years Ended June 30, 2019 and 2018

Table of Contents *(continued)*

Statistical Section (Unaudited)

127	Statistical Section Introduction
128	Net Position Summary
130	Changes in Net Position
132	Operating Revenue
134	Gross Concession Revenue Per Enplaned Passenger
136	Operating Expenses Per Enplaned Passenger
138	Landing Fee Rates
140	Outstanding Debt By Type and Debt Ratios
142	Revenue Bonds Debt Service Coverage
144	Airline Landing Weight Trend
148	Enplaned Passenger Data
152	Employee Trend
154	Schedule of Capital Assets
156	Air Trade Area Population
157	Air Trade Area Personal Income
158	Air Trade Area Personal Income Per Capita
159	Air Trade Area Unemployment Rate
160	Los Angeles County Principal Employers

Compliance Section

163	Report of Independent Auditors on Compliance with Applicable Requirements of the Passenger Facility Charge Program and Internal Control Over Compliance
165	Schedule of Passenger Facility Charge Revenues and Expenditures
166	Notes to the Schedule of Passenger Facility Charge Revenues and Expenditures
169	Report of Independent Auditors on Compliance with Applicable Requirements of the Customer Facility Charge Program and Internal Control Over Compliance
171	Schedule of Customer Facility Charge Revenues and Expenditures
172	Notes to the Schedule of Customer Facility Charge Revenues and Expenditures

Prepared by: Financial Reporting Division of Los Angeles World Airports



Introductory Section

2019

Comprehensive Annual Financial Report
Los Angeles World Airports



Introductory Section

2019

Comprehensive Annual Financial Report
Los Angeles World Airports



October 28, 2019

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

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the Los Angeles World Airports (Department of Airports of the City of Los Angeles, California) (LAWA) for the fiscal year ended June 30, 2019. The CAFR, which was prepared following the guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA), contains financial statements and statistical data that fully disclose all material financial operations of LAWA. Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with LAWA's management. We believe that the data presented is complete and reliable in all material respects. This transmittal letter presents a summary of LAWA's background, economic condition and outlook, and major initiatives and developments.

LAX

Van Nuys

City of Los Angeles

Eric Garcetti
Mayor

**Board of Airport
Commissioners**

Sean O. Burton
President

Valeria C. Velasco
Vice President

Gabriel L. Eshaghian
Beatrice C. Hsu
Nicholas P. Roxborough
Dr. Cynthia A. Telles
Karim Webb

Deborah Flint
Chief Executive Officer

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

Profile of the Reporting Entity

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

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

LAWA operates and maintains two airports, Los Angeles International Airport (LAX) and Van Nuys Airport (VNY), within the five-county area of Los Angeles, Orange, Ventura, Riverside and San Bernardino counties (Air Trade Area). LAWA voluntarily returned the operating certificate relating to LA/Palmdale Regional Airport (PMD) to the Federal Aviation Administration (FAA), but may, upon compliance with certain requirements, request to have the PMD certificate reissued.



Transmittal Letter (continued)

Located approximately 15 miles from downtown Los Angeles on the western boundary of the City, LAX is the largest airport in the Air Trade Area. LAX occupies approximately 3,800 acres in an area generally bounded on the north by Manchester Avenue, on the east by La Cienega Boulevard, on the south by Imperial Highway, and on the west by Vista Del Mar. Commercial airline service started in December 1946, and the present terminal complex in LAX was constructed in 1961. In the early 1980s, LAX added domestic and international terminals, parking structures and a second level roadway. LAX 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 has an important role in the international, national, State of California, regional, and local air transportation system. According to Airport Council International (ACI) statistics, in calendar year 2018, LAX ranked as the fourth busiest airport in the world, second busiest airport in the U.S. in terms of passenger traffic, and ranked tenth in the world and fourth in the U.S. in air cargo tonnage processed. LAX was named in Skytrax's 2017 top 10 world's most improved airports. Based on W J Advisors LLC's report, LAX is the busiest passenger origin and destination (O&D) airport in the world. In fiscal year 2019, approximately 44.2 million passengers enplaned at LAX, including an estimated 36.1 million originating passengers (81.6%) and 8.1 million connecting passengers (18.4%). From fiscal year 2014 through 2019, the number of enplaned passengers at LAX increased at an average of approximately 5.2% per year, reflecting above average rates of growth in the numbers of domestic enplaned passengers (4.5% per year) and international enplaned passengers (7.0% per year). In comparison, the total number of enplaned passengers in the U.S. increased an average of 4.3% (reflecting 4.0% domestic enplaned passenger growth, and 5.2% international enplaned passenger growth) per year from fiscal year 2014 through 2019 based on information from the U.S. Department of Transportation, Bureau of Transportation Statistics.

From fiscal year 2018 to 2019, the number of enplaned passengers at LAX increased approximately 1.5%, which includes a 1.8% increase in domestic enplaned passengers and a 0.7% increase in international enplaned passengers. The number of international enplaned passengers increased 2.3% during the first six months of fiscal year 2019 compared to the same period in fiscal year 2018 but decreased by 1.0% during the last six months of fiscal year 2019, potentially as the result of concerns regarding trade tensions, slowing economic growth, and declining business confidence.

VNY is a general aviation airport located 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 U.S. with over 237,224 operating movements in fiscal year 2019. More than 100 businesses are located at VNY, including four fixed-base operators and numerous other aviation service companies. These businesses cater to a variety of private, government and corporate aviation needs.

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

Economic Condition and Outlook

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

According to Los Angeles County Economic Development Corporation (LAEDC) 2019-2020 economic forecast, California continues to outpace the nation in real GDP and per capita income growth through 2020. California's unemployment rate is expected to continue to decline. The leading job gains are expected to be in the industry of education and health, professional and business services, leisure and hospitality, construction, transportation, trade & utilities and public sector. Transportation and infrastructure projects such as the on-going multi-billion dollar modernization program at LAX and the expansion of Los Angeles' rail system are making significant contribution to job growth and economy in Southern California.

Los Angeles County is expected to continue its shift from production industries like manufacturing and logistics to service based one, with major growth in education and health care, leisure and hospitality, professional and business services and construction. Orange County's economy is expected to continue to see strong output and wage growth mainly from industries such as health care, professional and business services, leisure and hospitality. To the east, Riverside County is expected to continue its run of remarkable economic growth due to its role as a key transportation and shipping hub. San Bernardino County is expected to continue to see a strong employment and wage growth coming from transportation and trade due to its role as a key logistic hub. To the north, Ventura County's unemployment rate is expected to show a decrease due to the slower job growth in construction, leisure and hospitality, education and health care.

LAEDC forecasts that the U.S. economy is expected to continue to have a moderate and steady growth despite the increasing global uncertainty. Consumer spending continues to increase due to growing consumer confidence, employment gains and wage growth. Government spending is projected to increase and contribute positively to GDP growth. The ongoing trade disputes, instability of financial markets, concerns over Brexit, political gridlock and policy uncertainty are key risks to the economic growth.

LAWA's airports are powerful economic engines for Southern California and vital to the economies of their surrounding communities. The most recent economic impact analysis report issued by LAEDC in April 2016 reaffirmed LAX's role as a major economic generator in Southern California. According to this report, based on calendar year 2014 operations, LAX carried 70.7 million passengers¹ on over 578,000 domestic and international flights, and moved 2 million tons of mail and cargo². These on-airport and off-airport services generated 620,610 jobs in Southern California with labor income of \$37.3 billion, and economic output (business revenues) of more than \$126.6 billion. This activity added \$6.2 billion in local and state revenues and \$8.7 billion in federal tax revenues. The study also reported that LAX's ongoing capital-improvement program created an additional 121,640 annual jobs with labor income of \$7.6 billion and economic output of \$20.3 billion, \$966.0 million in state and local taxes, and \$1.6 billion in federal tax revenues.

¹ Passenger level reached 87.9 million in fiscal year 2019.

² Mail and cargo tonnage reached 2.4 million in fiscal year 2019.



**Transmittal Letter
(continued)**

The Airline Industry

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

The International Air Transport Association (IATA) forecasted global airline industry to generate net profits of \$35.5 billion in 2019. Lower oil prices and solid, though slower, economic growth contributed to the profits of the global airline industry and offset the higher cost in 2018. The rising cost will continue to weaken profitability in 2019. Passenger numbers and cargo tons are expected to rise, reaching 4.59 billion and 65.9 million, respectively in 2019.

Passenger and other traffic activity highlights at LAX during the last three fiscal years are discussed in the MD&A.

Initiatives and Developments

LAWA's overall mission is to serve the world - connecting people, places and cultures. In order to fulfill this mission, LAWA is committed to operate its airports safely and securely, enhance organizational capability, foster employee ownership, implement the capital improvements program, create premier passenger and customer service, implement best airport business practices to build revenue and control expenses, and secure and maintain stakeholder support.

LAWA is undertaking a multi-billion dollar capital development program at LAX. LAWA reviews and assesses capital needs biennially on a formal basis, and continuously on an informal basis, taking into account improved information regarding the condition and/or requirements of new and existing facilities, updated cost estimates for contemplated projects, new opportunities for investments or acquisitions that arise from time to time, current and forecast traffic levels, and changes within the industry that may influence the cost of LAWA's capital development projects.

LAWA's capital development projects include various terminal projects, airfield and apron projects, access projects and other projects to, among other things, accommodate existing and future aircraft designs, and to address forecast passenger growth. LAWA is employing various strategies to design, build and finance multiple facilities concurrently while prudently managing risk.

Listed below are descriptions of LAWA's current projected major capital improvements projects. These projects are classified into Landside Access Modernization Program, Terminal Related Projects, Airfield and Apron Related Projects, and Other Projects.

Landside Access Modernization Program (LAMP)

To continue the extensive upgrading and modernization of LAX and to address increasing levels of traffic congestion at and around LAX, LAWA is redeveloping the ground access system to LAX. As part of the overall modernization of LAX, LAWA is implementing components of the LAMP to, among other things, improve access options and the travel experience for passengers; shift the location where different modes of traffic operate within the Central Terminal Area (CTA) and on the surrounding street network; and provide direct connections to the rail and transit systems of the Los Angeles County Metropolitan Transportation Authority (Metro). By implementing LAMP, LAWA seeks to provide more travel time certainty, reduce traffic congestion and improve air quality in and around LAX. LAMP includes several individual components, including, among others, the Automated People Mover System (APM), Intermodal Transportation Facilities (ITF), the Consolidated Rental Car Facility (ConRAC) as well as roadway improvements. When operational, the APM System is designed to offer passengers an opportunity to bypass the existing roadway loop in the CTA and to provide access to the ITF, the ConRAC, or future Metro stations. When operational, the ConRAC is designed to enhance the customer experience and safety, provide a consolidated location linked to the CTA by the APM System, improve traffic flow in surrounding neighborhoods and CTA roadways, create operational efficiencies for rental car companies, and service potential growth in the rental car market at LAX. The ITF-West Phase 1 is expected to be used by passengers currently accessing the CTA, providing a convenient location east of the CTA for passengers, well-wishers, and LAX employees to drop off or pick up passengers, or park and then ride the APM System into the CTA.



**Transmittal Letter
(continued)**

Terminals Related Projects**Midfield Satellite Concourse (MSC) and Apron - North Project**

This project consists of the development of a new 15-gate, 800,000-square-foot concourse west of the Tom Bradley International Terminal (TBIT)/Bradley West terminal complex that would serve domestic and international airline operations, and associated apron improvements. This project is estimated at approximately \$1.7 billion and is expected to be completed by fiscal year 2021.

North Terminal Improvement Program

This project includes the complete renovation of Terminal 3, renovations to Terminal 2, a secure connector to the north side of TBIT, infrastructure improvements supporting the planned APM System, and various enabling projects. This project is estimated at approximately \$1.8 billion and is expected to be completed by fiscal year 2023.

Terminal 4 - American Airlines

This project includes facility improvements to Terminal 4 and Terminal 5, including a connection to the new APM System. The initial phase of this project is estimated at approximately \$760 million.

Terminal 6 Project - Alaska Airlines

This project includes the modernization of Terminal 6 by increasing the amount of holdroom space, enhancing the security screening checkpoint, installing new passenger loading bridges, and certain other operational improvements. This project is estimated at approximately \$200 million and is expected to be completed by fiscal year 2025.

Terminal 1.5

This project consists of the development of a new terminal building between Terminal 1 and Terminal 2 that will link the two terminals directly and will result in a single unified facility. This project is estimated at approximately \$500 million and is expected to be completed by fiscal year 2021.

TBIT/MSC Baggage System Enhancements

This project includes construction of outbound baggage systems supporting the combined operations of both the TBIT and the MSC Phase 1. The project includes construction of baggage conveyance systems, explosives trace detection workstations, an on-screen resolution control room, and installation/integration of TSA-provided explosive detection system machines. This project is estimated at approximately \$265 million and is expected to be completed by fiscal year 2021.

TBIT Core & APM Interface

This project will provide vertical circulation elements in TBIT to accommodate passenger circulation and connections to the APM System. This project is estimated at approximately \$270 million and is expected to be completed by fiscal year 2022.

Terminal 5 Core & APM Interface

This project will provide vertical circulation elements in Terminal 5 to accommodate passenger circulation and connections to the APM System. This project is estimated at approximately \$220 million and is expected to be completed by fiscal year 2022.

Other Terminal Projects

This project consists of CTA departure and arrival level security bollards, closed circuit television improvements, TBIT automated security lanes, and other miscellaneous terminal improvements. These projects are estimated at approximately \$160 million and are expected to be completed by fiscal year 2025.

Airfield and Apron Related Projects**Taxiway C14 Construction**

This project includes the construction of a new 3,600-foot long by 82-foot wide north-south crossfield taxiway that will provide unimpeded access between the north and south airfields. This project is estimated at approximately \$120 million and is expected to be completed by fiscal year 2021.

Other Airfield and Apron Projects

This project consists of Taxilane T improvements, Runway 7R-25L reconstruction, storm water improvements, a new fire drill training facility, and other miscellaneous airfield improvements. These improvements are estimated at approximately \$95 million and are expected to be completed before fiscal year 2025.



**Transmittal Letter
(continued)**

Other Projects**Noise Mitigation and Soundproofing**

This project consists of the soundproofing of residences located near LAX that are significantly affected by aircraft noise. Also, LAWA is currently implementing a voluntary program of acquisition of residences located in the Manchester Square and Belford areas that are affected by aircraft noise. This project is estimated at approximately \$285 million and is expected to be completed by fiscal year 2025.

Police Station and Facilities

This project includes the construction of a central Airport police facility just north of the airfield area, allowing the Airport police department to consolidate certain functions that are now distributed across multiple facilities. This project is estimated at approximately \$235 million and to be completed by fiscal year 2021.

Power Distribution Facility

This project replaces existing facilities and provides more reliable power transmission and greater capacity to support planned growth in LAX. This project is estimated at approximately \$125 million and to be completed by fiscal year 2023.

Others

These projects include a range of infrastructure, utility, information technology, and other projects estimated at approximately \$290 million and are expected to be completed by fiscal year 2025.



Outlook for the Future

LAWA's operations are supported solely by its own revenues. The department strives to balance revenues generated from cost recovery formulas applied to aeronautical users and those generated from fluctuating non-aeronautical revenues driven by passenger traffic and commercial opportunities. Management placed emphasis on the following goals and objectives as outlined in LAWA's Strategic Plan when developing the fiscal year 2020 budget: 1) expect and support organizational excellence; 2) innovate to enhance security, efficiency and effectiveness; 3) deliver facilities and guest experiences that are exceptional; and 4) sustain a strong business. Management continues to exercise fiscal prudence from within each LAWA division in administering the operating budget. The unrestricted net position, together with other fund sources such as operating revenue, debt proceeds, and grant receipts, will balance the subsequent fiscal year's budget as well as maintain projected reserves.

Operating revenues for fiscal year 2020 are projected to be approximately \$1.6 billion. This projection represents a 6.1% increase over budgeted fiscal year 2019 revenues. Over half of LAWA's revenues are driven by cost recovery formulas used in calculation of airfield and terminal rates and charges. These aeronautical revenues are expected to be higher than those projected for fiscal year 2019 by 5.5% due to increased operating expenses and capital costs allocated to LAX airfield and terminal cost centers. Revenues from in-terminal concession agreements and parking/ground transportation operations, boosted by increased levels of LAX passenger traffic and recent implementation of higher parking rates at the CTA garages, are also expected to contribute to greater overall revenues with a 7.5% increase compared to fiscal year 2019.

LAWA's budgeted operating expenses support the ongoing operation and maintenance of LAWA's airports and real estate holdings. The largest portion of LAWA's operating expenses consists of payment of salaries, fringe benefits and other payroll expenses for LAWA employees. Including payments to the City of Los Angeles for fire service, supplemental police and other support services, personnel costs represent \$589.6 million or 63.0% of LAWA's total operating expense budget. Payments for salaries and benefits for those employees directly employed by LAWA during fiscal year 2020 are budgeted at \$507.4 million, an increase of 3.6% over the fiscal year 2019 budget.

The fiscal year 2020 budgeted personnel expenses associated with salaries/overtime, and pension contributions are projected to increase by 2.3% and 9.6%, respectively. The proposed budget assumes an increase in LAWA's current headcount to approximately 3,763 positions which include full-time and part-time positions. LAWA has taken a lean approach to limit headcount growth while addressing the needs of the airport. The projected increase in headcount includes 58 new positions attributed to additional operations and maintenance staff in preparation for the commissioning of the MSC and Auxiliary Curb and 15 additional positions as contingency to address unexpected needs or operational shortfalls not currently identified.



Transmittal Letter (continued)

Internal Control Framework

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

Budgetary Control

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

Independent Audit

Moss Adams LLP (Moss Adams), a firm of independent certified public accountants, audited LAWA's financial statements. Moss Adams concluded, based upon its audit, that there was a reasonable basis for rendering an unmodified opinion that LAWA's financial statements as of and for the fiscal years ended June 30, 2019 and 2018, were fairly presented in conformity with GAAP. Moss Adams' report is on pages 1 and 2.

Moss Adams conducted an additional audit to determine LAWA's compliance with the requirements described in the Passenger Facility Charge Audit Guide for Public Agencies and concluded that LAWA complied in all material respects with the requirements applicable to and that could have a material effect on its passenger facility charge program for the fiscal year ended June 30, 2019. Moss Adams' report is on pages 163 and 164.

Moss Adams also conducted a third audit to determine LAWA's compliance with the requirements described in the California Civil Code Section 1939, as amended by Assembly Bill 2051, and concluded that LAWA complied in all material respects with the requirements applicable to and that could have a material effect on its customer facility charge program for the fiscal year ended June 30, 2019. Moss Adams' report is on pages 169 and 170.

As a recipient of federal grants, LAWA is required to undergo an additional audit, known as the Single Audit, to meet the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The results of the Single Audit performed by Moss Adams are issued in a separate report.

Award

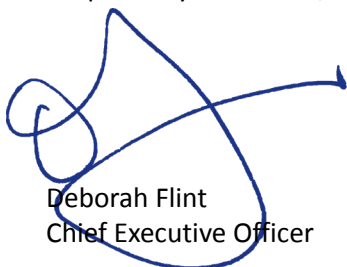
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to LAWA for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2018. This was the eighth consecutive year that LAWA has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgement

Publication of this CAFR is a reflection of the excellence and professionalism of LAWA's entire staff. The dedicated service and efforts of the Financial Reporting Division made the preparation of this report possible. We would like to express our appreciation to all team members who assisted in and contributed to its preparation.

Respectfully submitted,

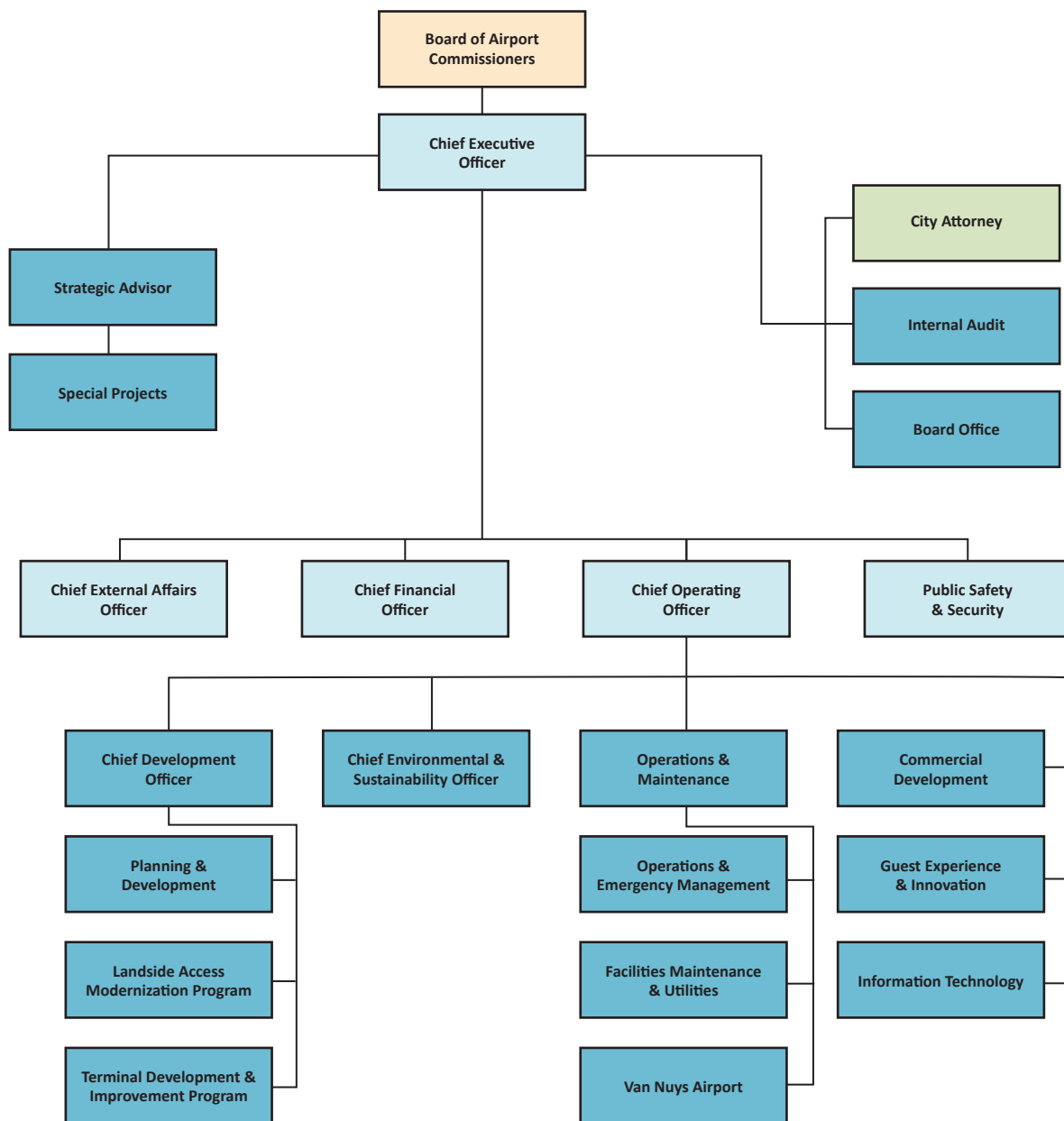


Deborah Flint
Chief Executive Officer



Ryan P. Yakubik
Chief Financial Officer

Organization Chart

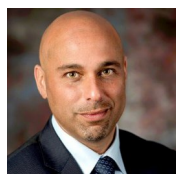




Sean O. Burton
President



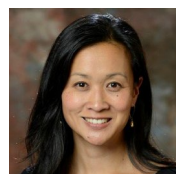
Valeria C. Velasco
Vice President



Gabriel L. Eshaghian
Commissioner



Cynthia A. Telles
Commissioner



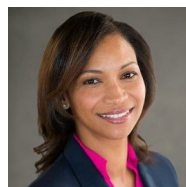
Beatrice C. Hsu
Commissioner



Nicholas Roxborough
Commissioner



Karim Webb
Commissioner



Deborah Flint
Chief Executive Officer

CITY OF LOS ANGELES ELECTED OFFICIALS

Eric Garcetti, Mayor
Michael N. Feuer, City Attorney
Ron Galperin, City Controller

CITY COUNCIL

Herb J. Wesson, Jr., President, District 10
Nury Martinez, President Pro Tempore, District 6
Joe Buscaino, Assistant President Pro Tempore, District 15

Gilbert A. Cedillo, District 1	Paul Koretz, District 5	Mike Bonin, District 11
Paul Krekorian, District 2	Monica Rodriguez, District 7	John Lee, District 12
Bob Blumenfield, District 3	Marqueece Harris-Dawson, District 8	Mitch O'Farrell, District 13
David E. Ryu, District 4	Curren D. Price, Jr., District 9	José Huizar, District 14

LOS ANGELES WORLD AIRPORTS EXECUTIVE STAFF

Deborah Flint, Chief Executive Officer
Justin Erbacci, Deputy Executive Director, Chief Operating Officer
Robert Gilbert, Strategic Advisor
Ryan Yakubik, Chief Financial Officer³
Samantha Bricker, Chief Environmental and Sustainability Officer
Keith Wilschetz, Deputy Executive Director, Operations and Emergency Management
Hans Thilenius, Deputy Executive Director, Terminal Development and Improvement Program
Aura Moore, Deputy Executive Director, Chief Information Officer
Bernardo Gogna, Chief Development Officer
Michelle Schwartz, Chief External Affairs Officer
John Carver, Deputy Executive Director, Special Projects
Michael Christensen, Deputy Executive Director, Operations and Maintenance
Jeffrey Utterback, Deputy Executive Director, Commercial Development
David Maggard, Deputy Executive Director, Law Enforcement and Homeland Security
Jacob Adams, Deputy Executive Director, LAMP Executive
Raymond Ilgunas, General Counsel

³ Mr. Yakubik will leave LAWA effective November 2019.





Government Finance Officers Association

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

Presented to

**Los Angeles World Airports
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morill

Executive Director/CEO

Financial Section

2019

Comprehensive Annual Financial Report
Los Angeles World Airports



Financial Section

2019

Comprehensive Annual Financial Report
Los Angeles World Airports



Report of Independent Auditors

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 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"), which comprise the statement of net position as of June 30, 2019 and 2018, and the related statements of revenue, expenses and changes in net position, and cash flows for the years then ended and the related notes to the financial statements.

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 audits 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 net position of LAWA as of June 30, 2019 and 2018, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Basis of Presentation

As discussed in Note 1, the financial statements of LAWA are intended to present the net position, the changes in net position, and cash flows of only that portion of the business-type activities and each major fund of the City that is attributable to the transactions of LAWA. They do not purport to, and do not, present fairly the net position of the City as of June 30, 2019 and 2018, the changes in their net 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.



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 5 to 36, the schedule of LAWA's proportionate share of the net pension liability on page 109, the schedule of contributions – pension on pages 110 to 111, the schedule of LAWA's proportionate share of the net other postemployment benefit (OPEB) liability on page 112, and the schedule of contributions – OPEB on pages 113 to 114 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 audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying introductory section, supplemental information, statistical section, and compliance section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The accompanying combining schedule of net position and combining schedule of revenues, expenses and changes in net position on pages 118 to 123 (collectively the "supplemental information") is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The accompanying introductory section on pages i to xiv and statistical section on pages 127 to 160 have not been subjected to the auditing procedures applied in the audits of the financial statements and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2019, 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 solely 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 effectiveness of LAWA's 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.

Moss Adams LLP

Los Angeles, California
October 28, 2019

Management's Discussion and Analysis (Unaudited)

2019

Comprehensive Annual Financial Report
Los Angeles World Airports



Management's Discussion and Analysis

(Unaudited)

2019

Comprehensive Annual Financial Report
Los Angeles World Airports



Los Angeles World Airports

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

Management's Discussion and Analysis (Unaudited) June 30, 2019 and 2018

Los Angeles World Airports (LAWA) is an independent, financially 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) and Van Nuys Airport (VNY). LAWA also owns approximately 17,750 acres of land located east of United States Air Force (USAF) Plant 42 in the City of Palmdale, and retains the rights for future development of the Palmdale property. The management of LAWA presents the following narrative overview of LAWA's financial activities for the fiscal years ended June 30, 2019 and 2018. This discussion and analysis should be read in conjunction with LAWA's financial statements that begin on page 39.

Using This Financial Report

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

The *Statements of Net Position* present information on all of LAWA's assets, deferred outflows of resources, liabilities, and deferred inflows of resources at June 30, 2019 and 2018. The difference between (a) assets and deferred outflows of resources, and (b) liabilities and deferred inflows of resources was reported as net position. Over time, increases and decreases in net position may serve as a useful indicator about whether LAWA's financial condition is improving or deteriorating.

The *Statements of Revenues, Expenses and Changes in Net Position* present the results of LAWA's operations and information showing the changes in net position for the fiscal years ended June 30, 2019 and 2018. These statements can, among other things, be useful indicators of how LAWA recovered its costs through rates and charges. All changes in net position were reported when the underlying events occurred, regardless of the timing of the related cash flows. Thus, revenues and expenses were recorded and reported in these statements for some items that will result in cash flows in future periods.

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

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



Management's Discussion and Analysis (Unaudited)

June 30, 2019 and 2018

(continued)

Passenger and Other Traffic Activity Highlights

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

Los Angeles International Airport

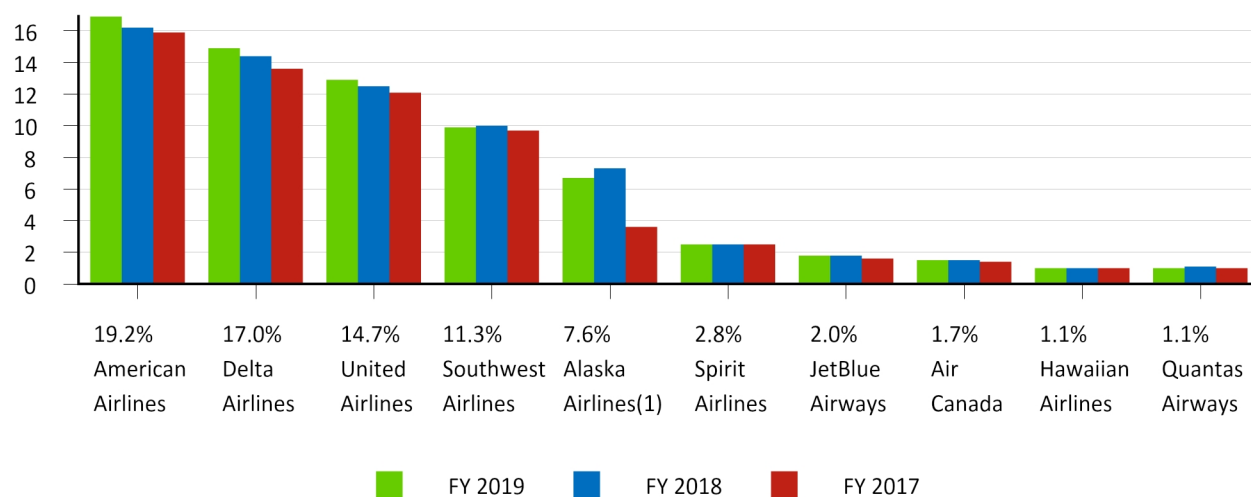
	FY 2019	FY 2018	FY 2017	% Change	
				FY 2019	FY 2018
Total passengers	87,905,468	86,633,058	82,923,839	1.5%	4.5%
Domestic passengers	61,983,392	60,903,699	58,934,016	1.8%	3.3%
International passengers	25,922,076	25,729,359	23,989,823	0.7%	7.3%
Departing passengers	44,207,464	43,553,015	41,602,124	1.5%	4.7%
Arriving passengers	43,698,004	43,080,043	41,321,715	1.4%	4.3%
Passenger flight operations					
Departures	316,179	319,677	316,704	-1.1%	0.9%
Arrivals	315,939	319,359	316,309	-1.1%	1.0%
Landing weight (thousand lbs)	64,746,783	64,226,608	62,635,426	0.8%	2.5%
Air cargo (tons)					
Mail	117,094	112,391	107,150	4.2%	4.9%
Freight	2,284,337	2,303,477	2,209,063	-0.8%	4.3%

Note: Prior years' data may change because of 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 charts present the top ten airlines at LAX, by number of passengers, for fiscal year 2019 and the comparative passengers for fiscal years 2018 and 2017.

FY 2019 Top Ten Carriers and FY 2019 Percentage of Market Share (passengers in millions)



(1) Alaska Airlines merged with Virgin America and combined data was reported starting FY 2018.

Management's Discussion and Analysis (Unaudited)

June 30, 2019 and 2018

(continued)

Passenger Traffic, Fiscal Year 2019

Passenger traffic at LAX increased by 1.5% in fiscal year 2019 as compared to fiscal year 2018. Of the 87.9 million passengers that moved in and out of LAX, domestic passengers accounted for 70.5%, while international passengers accounted for 29.5%. American Airlines ferried the largest number of passengers at 16.9 million with a 4.3% increase in passenger traffic. Delta Airlines, ranked second with 14.9 million passengers posted a 3.5% increase in passenger traffic. United Airlines, ranked third with 12.9 million passengers posted a 3.2% increase in passenger traffic. Southwest Airlines (9.9 million) and Alaska Airlines (6.7 million) complete the top five air carriers operating at LAX. Air Canada was the top foreign flag carrier with 1.5 million passengers and was ranked eighth overall.

Passenger Traffic, Fiscal Year 2018

Passenger traffic at LAX increased by 4.5% in fiscal year 2018 as compared to fiscal year 2017. Of the 86.6 million passengers that moved in and out of LAX, domestic passengers accounted for 70.3%, while international passengers accounted for 29.7%. American Airlines ferried the largest number of passengers at 16.2 million with a 1.9% increase in passenger traffic. Delta Airlines, ranked second with 14.4 million passengers posted a 5.9% increase in passenger traffic. United Airlines, ranked third with 12.5 million passengers posted a 3.3% increase in passenger traffic. Southwest Airlines (10.0 million) and Alaska Airlines (7.3 million) complete the top five air carriers operating at LAX. Air Canada was the top foreign flag carrier with 1.5 million passengers and was ranked eighth overall.

Passenger Flight Operations, Fiscal Year 2019

Departures and arrivals at LAX decreased by 6,918 flights or 1.1% during fiscal year 2019 when compared to fiscal year 2018. Revenue landing pounds were up 0.8%. The top three carriers in terms of landing pounds were American Airlines, Delta Airlines, and United Airlines. In total, these three airlines contributed 40.9% of the total revenue pounds at LAX.

Passenger Flight Operations, Fiscal Year 2018

Departures and arrivals at LAX increased by 6,023 flights or 1.0% during fiscal year 2018 when compared to fiscal year 2017. Revenue landing pounds were up 2.5%. The top three carriers in terms of landing pounds were American Airlines, Delta Airlines, and United Airlines. In total, these three airlines contributed 40.2% of the total revenue pounds at LAX.



Management's Discussion and Analysis (Unaudited)

June 30, 2019 and 2018

(continued)

Air Cargo (tons), Fiscal Year 2019

Freight and mail cargo at LAX decreased by 0.6% in fiscal year 2019 as compared to fiscal year 2018. Freight was down by 19,140 tons, and mail was up by 4,703 tons. Domestic cargo was up by 7,921 tons or 0.9% and international cargo was down by 22,358 tons or 1.5%. Federal Express was the top air freight carrier accounting for 16.8% of total freight cargo, followed by China Southern Airlines with 4.3%. American Airlines was the top mail carrier accounting for 19.8% of total mail cargo.

Air Cargo (tons), Fiscal Year 2018

Freight and mail cargo at LAX increased by 4.3% in fiscal year 2018 as compared to fiscal year 2017. Freight and mail were up by 94,414 tons and 5,241 tons, respectively. Domestic cargo was up by 1,875 tons or 0.2% and international cargo was up by 97,780 tons or 6.9%. Federal Express was the top air freight carrier accounting for 16.2% of total freight cargo, followed by American Airlines with 4.3%. Delta Airlines was the top mail carrier accounting for 22.4% of total mail cargo.

Overview of LAWA's Financial Statements

Financial Highlights, Fiscal Year 2019

- LAWA's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$5.8 billion.
- Bonded debt had a net increase of \$1.8 billion.
- Operating revenue totaled \$1.5 billion.
- Operating expenses (including depreciation and amortization of \$407.7 million) totaled \$1.2 billion.
- Net nonoperating revenue was \$85.3 million.
- Federal and other government capital grants totaled \$36.3 million.
- Net position increased by \$433.9 million.



Management's Discussion and Analysis (Unaudited)

June 30, 2019 and 2018

(continued)

Financial Highlights, Fiscal Year 2018

- LAWA's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$5.4 billion.
- Bonded debt had a net increase of \$757.6 million.
- Operating revenue totaled \$1.4 billion.
- Operating expenses (including depreciation and amortization of \$365.5 million) totaled \$1.2 billion.
- Net nonoperating revenue was \$73.3 million.
- Federal and other government capital grants totaled \$55.9 million.
- Net position increased by \$316.7 million.

Net Position Summary

A condensed summary of LAWA's net position for fiscal years 2019, 2018, and 2017 is presented below:

Condensed Net Position (amounts in thousands)

	FY 2019	FY 2018	FY 2017	FY 2019 increase (decrease)	FY 2018 increase (decrease)
Assets					
Unrestricted current assets	\$ 1,030,971	\$ 968,009	\$ 875,829	\$ 62,962	\$ 92,180
Restricted current assets	2,997,978	1,951,670	1,921,000	1,046,308	30,670
Capital assets, net	10,962,688	9,805,839	8,746,290	1,156,849	1,059,549
Other noncurrent assets	28,250	36,217	68,013	(7,967)	(31,796)
Total assets	15,019,887	12,761,735	11,611,132	2,258,152	1,150,603
Deferred outflows of resources					
Loss on debt refundings	37,806	40,308	38,550	(2,502)	1,758
Pension and OPEB	214,677	162,101	206,553	52,576	(44,452)
Total deferred outflows of resources	252,483	202,409	245,103	50,074	(42,694)
Liabilities					
Current liabilities payable from unrestricted assets	449,446	403,306	388,167	46,140	15,139
Current liabilities payable from restricted assets	212,876	188,816	212,756	24,060	(23,940)
Noncurrent liabilities	7,830,201	6,093,851	5,337,544	1,736,350	756,307
Net pension liability	786,765	723,062	774,356	63,703	(51,294)
Net OPEB liability	79,037	77,566	—	1,471	77,566
Total liabilities	9,358,325	7,486,601	6,712,823	1,871,724	773,778
Deferred inflows of resources					
Gain on debt refundings	3,681	—	—	3,681	—
Pension and OPEB	90,554	91,616	74,147	(1,062)	17,469
Total deferred inflows of resources	94,235	91,616	74,147	2,619	17,469
Net Position					
Net investment in capital assets	4,945,969	4,706,733	4,322,932	239,236	383,801
Restricted for capital projects	814,098	672,951	782,153	141,147	(109,202)
Restricted for operation & maintenance reserve	221,137	210,207	185,897	10,930	24,310
Restricted for federal forfeited property & protested funds	1,526	1,336	1,463	190	(127)
Unrestricted	(162,920)	(205,300)	(223,180)	42,380	17,880
Total net position	\$ 5,819,810	\$ 5,385,927	\$ 5,069,265	\$ 433,883	\$ 316,662

Management's Discussion and Analysis (Unaudited)

June 30, 2019 and 2018

(continued)

Net Position, Fiscal Year 2019

As noted earlier, net position may serve as a useful indicator of LAWA's financial condition. At the close of fiscal years 2019 and 2018, LAWA's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$5.8 billion and \$5.4 billion, respectively, representing an increase of 8.1% or \$433.9 million.

The largest portion of LAWA's net position (\$4.9 billion or 85.0%) reflects its investment in capital assets (e.g. land, air easements, buildings, improvements, equipment and vehicles) less accumulated depreciation and any related outstanding debt used to acquire those assets. An additional portion of LAWA's net position (\$1.0 billion or 17.8%) represents resources that are subject to various restrictions on how they may be used. Unrestricted net position increased by \$42.4 million from \$(205.3) million in fiscal year 2018 to \$(162.9) million in fiscal year 2019.

Unrestricted current assets increased by \$63.0 million or 6.5%, from \$968.0 million at June 30, 2018 to \$1.0 billion at June 30, 2019. Unrestricted current assets consist primarily of cash and pooled investments (including reinvested cash collateral in 2019) held in the City Treasury. Unrestricted cash inflows were from operating activities, investment activities, noncapital grants, and federal grant reimbursements for eligible capital projects. Unrestricted cash outflows were for operating activities, capital acquisitions and transfers to fiscal agents for debt service.

Restricted current assets include cash and investments (including reinvested cash collateral in 2019) held in the City Treasury for future 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 at LAX and for bond principal and interest payments. Restricted current assets increased by \$1.0 billion or 53.6%, from \$2.0 billion at June 30, 2018 to \$3.0 billion at June 30, 2019. The increase in year-end investment portfolio held by fiscal agents of \$891.8 million, or 85.5% from \$1.0 billion in fiscal year 2018 to \$1.9 billion in fiscal year 2019 was mainly due to unspent bond proceeds as of June 30, 2019.

LAWA's capital assets additions are financed through issuance of revenue bonds, grants from federal agencies, PFCs, CFCs, new airport revenue and existing resources. Interim financing of such acquisition may be provided through the issuance of commercial paper notes. Capital assets, net of depreciation, increased by \$1.2 billion, or 11.8%. Ongoing construction and improvements to modernize LAX terminals and facilities were the primary reasons for the increase.

Other noncurrent assets decreased by \$8.0 million or 22.0% primarily due to the shift of the long-term receivable from Ontario International Airport Authority (OIAA) to current assets. Based on the Ontario International Airport (ONT) Settlement Agreement in 2016, LAWA is to receive \$70.0 million (before discount for early repayment) from ONT, over a period of approximately 10 years. The total outstanding OIAA receivable balance was approximately \$37.6 million and \$45.6 million as of June 30, 2019 and 2018, respectively.

Current liabilities payable from unrestricted assets increased by \$46.1 million or 11.4%. This was mainly due to an increase of \$4.1 million or 1.5% in contracts and accounts payable, an increase of \$39.0 million or 64.0% in commercial paper, and an increase of \$4.6 million or 31.6% in other current liabilities; offset by a decrease of \$6.1 million or 38.4% in obligations under securities lending transactions. The increase in contracts and accounts payable was due to the year-end accruals of capital expenditures for the on-going construction projects. The increase in commercial paper was a result of interim construction financing for capital projects. The increase in other current liabilities was primarily a result of an increase in customers' advance payments of \$13.4 million, offset by a decrease in LAWA's share of the City Treasury's year-end pending investment trade of \$4.8 million in fiscal year 2019.

Current liabilities payable from restricted assets increased by \$24.1 million or 12.7%. This was mainly due to an increase of \$8.5 million or 109.6% in contracts and accounts payable, an increase of \$22.4 million in current maturities of bonded debt, an increase of \$2.4 million in accrued interest payable, offset by a decrease of \$5.2 million or 33.5% in obligations under securities lending transactions and a decrease in LAWA's share of the City Treasury's year-end pending investment trade of \$4.6 million in fiscal year 2019.

The increase in noncurrent liabilities was \$1.8 billion or 26.1%. This was primarily a result of bond issuances of \$1.9 billion with net change in premium of \$257.2 million, offset by refunding of \$247.6 million LAX senior revenue bonds Series 2009A, and the recognition of \$143.2 million as current bonded debt in fiscal year 2019. The increase was also attributable to the recognition of additional proportionate share of net pension liability (NPL) and net OPEB liability (NOL) for \$65.2 million in fiscal year 2019.



Management's Discussion and Analysis (Unaudited)

June 30, 2019 and 2018

(continued)

Net Position, Fiscal Year 2018

As noted earlier, net position may serve as a useful indicator of LAWA's financial condition. At the close of fiscal years 2018 and 2017, LAWA's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$5.4 billion and \$5.1 billion, respectively, representing an increase of 6.2% or \$316.7 million.

The largest portion of LAWA's net position (\$4.7 billion or 87.4%) reflects its investment in capital assets (e.g. land, air easements, buildings, improvements, equipment and vehicles) less accumulated depreciation and any related outstanding debt used to acquire those assets. An additional portion of LAWA's net position (\$884.5 million or 16.4%) represents resources that are subject to various restrictions on how they may be used. Unrestricted net position increased by \$17.9 million from \$(223.2) million in fiscal year 2017 to \$(205.3) million in fiscal year 2018. LAWA recognized \$77.6 million net OPEB liability (NOL) as a result of the implementation of GASB Statements No. 75 and 85 in fiscal year 2018. Net pension liability (NPL) reduced by \$51.3 million to \$723.1 million in fiscal year 2018.

Unrestricted current assets increased by \$92.2 million or 10.5%, from \$875.8 million at June 30, 2017 to \$968.0 million at June 30, 2018. Unrestricted current assets consist primarily of cash and pooled investments (including reinvested cash collateral in 2018) held in the City Treasury. Unrestricted cash inflows were from operating activities, investment activities, noncapital grants, and federal grant reimbursements for eligible capital projects. Unrestricted cash outflows were for operating activities, capital acquisitions and transfers to fiscal agents for debt service.

Restricted current assets include cash and investments (including reinvested cash collateral in 2018) held in the City Treasury for future capital projects funded by PFCs and CFCs. Also included are bond proceeds to be used for capital expenditures as well as bond debt service funds held by fiscal agents. Drawdowns from the amounts held by fiscal agents were used for capital expenditures incurred at LAX and for bond principal and interest payments. Restricted current assets increased by \$30.7 million or 1.6%, from \$1.9 billion at June 30, 2017 to \$2.0 billion at June 30, 2018. The increase in year-end investment portfolio held by fiscal agents of \$118.0 million, or 12.8% from \$924.5 million in fiscal year 2017 to \$1.0 billion in fiscal year 2018 was mainly due to unspent proceeds of newly issued 2017 and 2018 series bonds as of June 30, 2018.

LAWA's capital assets additions are financed through issuance of revenue bonds, grants from federal agencies, PFCs, CFCs, new airport revenue and existing resources. Interim financing of such acquisition may be provided through the issuance of commercial paper notes. Capital assets, net of depreciation, increased by \$1.1 billion, or 12.1%. Ongoing construction and improvements to modernize LAX terminals and facilities were the primary reasons for the increase.

Other noncurrent assets decreased by \$31.8 million or 46.7%. The decrease was primarily due to the transfer of \$17.6 million long-term investments with fiscal agent over one-year in fiscal year 2017 to current investments in fiscal year 2018; and the shift of \$9.6 million long-term receivable from OIAA and \$2.9 million long-term receivable from the City General Fund to current assets in fiscal year 2018.

Current liabilities payable from unrestricted assets increased by \$15.1 million or 3.9%. This was mainly due to an increase of \$51.3 million or 22.6% in contracts and accounts payable, increase of \$2.2 million or 27.2% in estimated claims payable, increase of \$12.1 million or 24.8% in commercial paper, increase of \$10.3 million or 181.3% in obligations under securities lending transactions; offset by decrease of \$60.2 million or 80.5% in other current liabilities, and decrease of \$1.3 million or 23.3% in accrued employee benefits. The increase in contracts and accounts payable was due to the year-end accruals of capital expenditures for the on-going construction projects including the Midfield Satellite Concourse (MSC) and Apron - North Project, Runway Safety Area (RSA) Improvements, and the Landside Access Modernization Program (LAMP) enabling project. The decrease in other current liabilities was primarily a result of a net decrease in customers' advance payments and unapplied credits issued to the airlines of \$19.8 million, and a decrease in LAWA's share of the City Treasury's year-end pending investment trade of \$40.0 million in fiscal year 2018.

Current liabilities payable from restricted assets decreased by \$23.9 million or 11.3%. This was mainly due to decrease in LAWA's share of the City Treasury's year-end pending investment trade of \$53.1 million in fiscal year 2018, offset by an increase of \$13.0 million in current maturities of bonded debt, an increase of \$8.4 million in accrued interest payable, and an increase of \$8.2 million or 112.3% in obligations under securities lending transactions.

The net increase in noncurrent liabilities was \$782.6 million or 12.8%. The increase was primarily a result of bond issuances of \$1.0 billion with net change in premium of \$128.2 million, offset by refunding of \$265.0 million LAX senior revenue bonds Series 2008A, and the shift of \$120.8 million to current bonded debt in fiscal year 2018. The net increase was also attributable to the recognition of the proportionate share of NOL for \$77.6 million as a result of implementation of GASB Statements No. 75 and 85 in fiscal year 2018, offset by a decrease in the proportionate share of NPL for \$51.3 million in accordance with GASB Statements No. 68 and 71.



Management's Discussion and Analysis (Unaudited)

June 30, 2019 and 2018

(continued)

Changes in Net Position Summary

A condensed summary of LAWA's changes in net position for fiscal years ended 2019, 2018, and 2017 is presented below. As a result of the transfer of ONT to OIAA on November 1, 2016 as contemplated by the ONT Settlement Agreement, the changes in net position reflected no ONT activities in fiscal years 2019, 2018, and four months of ONT activities in fiscal year 2017.

Condensed Changes in Net Position (amounts in thousands)

				FY 2019	FY 2018
				increase	increase
	FY 2019	FY 2018	FY 2017	(decrease)	(decrease)
Operating revenue	\$ 1,537,949	\$ 1,446,226	\$ 1,372,730	\$ 91,723	\$ 73,496
Less- Operating expenses	818,011	815,511	778,198	2,500	37,313
Operating income before depreciation and amortization	719,938	630,715	594,532	89,223	36,183
Less- Depreciation and amortization	407,664	365,465	309,126	42,199	56,339
Operating income	312,274	265,250	285,406	47,024	(20,156)
Other nonoperating revenue, net	85,269	73,270	23,846	11,999	49,424
Federal and other government grants	36,340	55,897	87,756	(19,557)	(31,859)
Special item - loss on transfer of ONT	—	—	(225,347)	—	225,347
Changes in net position	433,883	394,417	171,661	39,466	222,756
Net position, beginning of year, as previously reported	5,385,927	5,069,265	4,897,604	316,662	171,661
Change in accounting principle	—	(77,755)	—	77,755	(77,755)
Net position, beginning of year, as adjusted	5,385,927	4,991,510	4,897,604	394,417	93,906
Net position, end of year	\$ 5,819,810	\$ 5,385,927	\$ 5,069,265	\$ 433,883	\$ 316,662

Operating Revenue

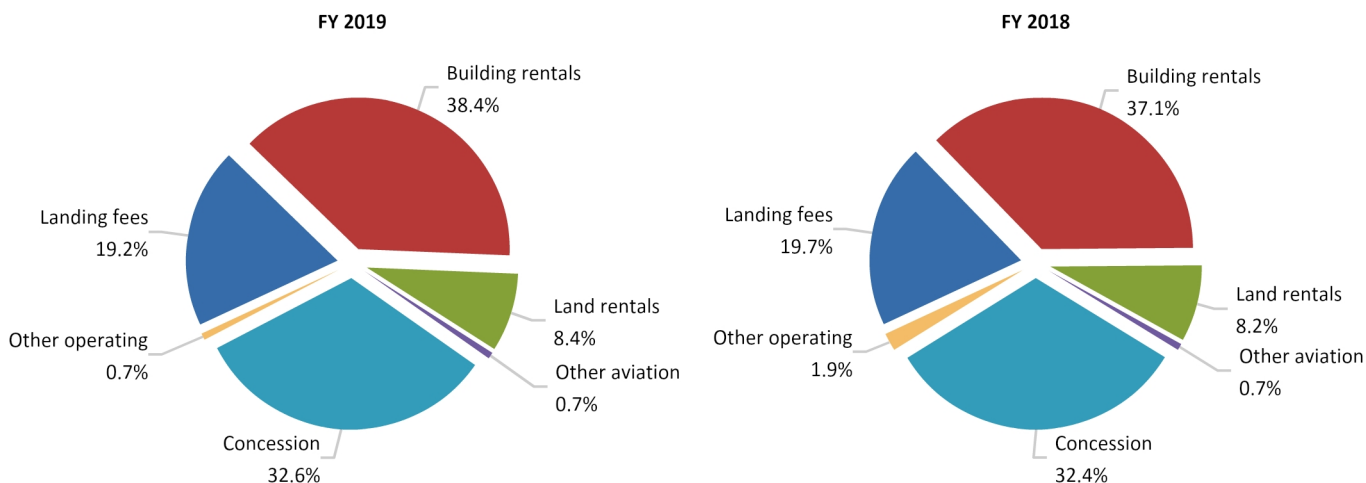
LAWA derives its operating revenue from several major airport business activities. The following table presents a summary of these business activities during fiscal years 2019, 2018, and 2017:

Summary of Operating Revenue (amounts in thousands)

	FY 2019	FY 2018	FY 2017	FY 2019 increase (decrease)	FY 2018 increase (decrease)
Aviation revenue					
Landing fees	\$ 295,724	\$ 284,686	\$ 265,828	\$ 11,038	\$ 18,858
Building rentals	590,771	536,367	507,981	54,404	28,386
Land rentals	129,411	118,937	110,314	10,474	8,623
Other aviation revenue	10,534	9,439	10,081	1,095	(642)
Total aviation revenue	1,026,440	949,429	894,204	77,011	55,225
Concession revenue	501,179	469,201	451,088	31,978	18,113
Other operating revenue	10,330	27,596	27,438	(17,266)	158
Total operating revenue	\$ 1,537,949	\$ 1,446,226	\$ 1,372,730	\$ 91,723	\$ 73,496

Operating Revenue, Fiscal Year 2019

The following chart illustrates the proportion of sources of operating revenue for fiscal years ended June 30, 2019 and 2018.



Management's Discussion and Analysis (Unaudited)

June 30, 2019 and 2018

(continued)

For the fiscal year ended June 30, 2019, total operating revenue was \$1.5 billion, a \$91.7 million or 6.3% increase from the prior fiscal year. The growth in aviation related revenue was \$77.0 million. Non-aviation revenue had a net increase of \$14.7 million, with a \$32.0 million increase in concessions, offset by a decrease in other operating revenue of \$17.3 million.

As described in Note 1i of the notes to the financial statements, landing fees assessed to air carriers at LAX are based on cost recovery methodologies. Rates are set using budgeted expenses and estimates of landed weight. The fees are reconciled at the end of the fiscal year using actual net 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 increased by \$11.0 million or 3.9%, from \$284.7 million in fiscal year 2018 to \$295.7 million in fiscal year 2019. The increase in landing fees was primarily due to the increase in actual capital and operating expenses allocable to the landing fee cost centers at LAX.

Building rentals increased by \$54.4 million or 10.1% from \$536.4 million in fiscal year 2018 to \$590.8 million in fiscal year 2019. The increase was primarily attributable to the increased costs in improvements and refurbishments in the terminals recovered under the Terminal Rate Agreement.

Land rental revenue was up by \$10.5 million from \$118.9 million in fiscal year 2018 to \$129.4 million in fiscal year 2019. The increase in land rental revenue was mainly due to an overall increase in leased areas at LAX.

Total revenue from concessions was \$501.2 million in fiscal year 2019, a 6.8% growth from \$469.2 million in fiscal year 2018. In-terminal concession revenue includes rentals collected from commercial management concessionaires, food and beverage concessionaires; duty free and retail merchants (gifts, news, and novelty items); and concessionaires for advertising, foreign exchange booths, telecommunications, automated teller machines, luggage cart rental, and security screening services. Off-terminal concession revenue is derived from auto parking, rent-a-car, bus, limousine, taxi services, transportation network companies (TNC)⁴ and other commercial ground transportation operations.

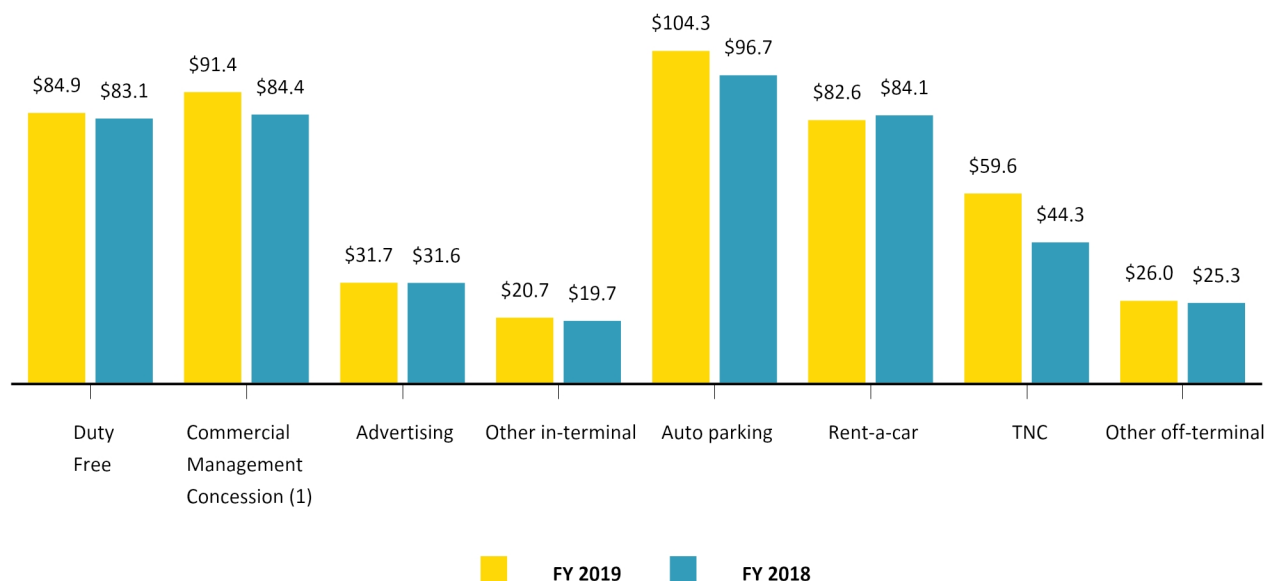
In-terminal concession revenue at LAX in fiscal year 2019 had a net increase of \$9.9 million or 4.5% as compared to fiscal year 2018. Duty free revenues increased by \$1.8 million, or 2.2%; commercial management concession revenue⁵ increased by \$7.0 million, or 8.3%; other in-terminal revenue increased by \$1.0 million, or 5.1%; and advertising revenue remained flat at approximately \$31.7 million. The increase in concession revenue was primarily driven by the increase in passenger traffic as well as the increase in spending per passenger in fiscal year 2019.

⁴ Transportation network companies currently permitted to operate at LAX include Uber, Lyft and Opoli.

⁵ Commercial Management Concession revenue includes total revenue from food and beverage concessionaires, gifts and news and commercial management concessionaires.

Off-terminal concession revenue at LAX in fiscal year 2019 was \$272.5 million as compared to \$250.4 million in fiscal year 2018, an increase of \$22.1 million, or 8.8%. The net increase was mainly driven by an increase in TNC revenue of \$15.3 million, or 34.5% from fiscal year 2018, an increase in auto parking of \$7.6 million, or 7.9% from fiscal year 2018, and offset by a decrease in rent-a-car revenue of \$1.5 million, or 1.8%. The increase in TNC revenue was a result of a one-time penalty fees of \$4.7 million in addition to the increase in ridership driven by popularity of TNC in fiscal year 2019. The increase in auto parking revenue was primarily attributed to parking rates increase in the Central Terminal Area parking structures. The charge for first hour or fraction thereof increased from \$3.00 to \$5.00; with a maximum fee per each 24 hours increased from \$30.00 to \$40.00 starting from January 2019.

Comparative LAWA concession revenue by type for fiscal years 2019 and 2018 are presented in the following chart (amounts in millions).



(1) Commercial Management Concession revenue includes total revenue from food and beverage concessionaires, gifts and news and commercial management concessionaires.

The decrease in other operating revenue was due to the recognition of ONT salary reimbursement of \$16.7 million in fiscal year 2018. LAWA no longer provided staff augmentation services to OIAA since April 2018.

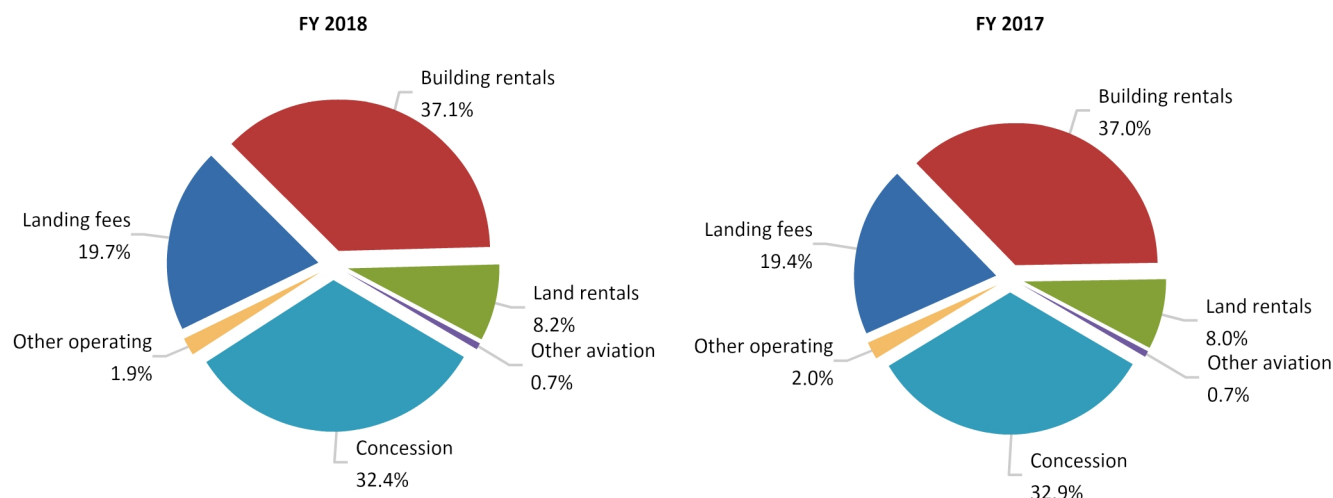
Management's Discussion and Analysis (Unaudited)

June 30, 2019 and 2018

(continued)

Operating Revenue, Fiscal Year 2018

The following chart illustrates the proportion of sources of operating revenue for fiscal years ended June 30, 2018 and 2017.



For the fiscal year ended June 30, 2018, total operating revenue was \$1.4 billion, a \$73.5 million or 5.4% increase from the prior fiscal year. The growth in aviation related revenue was \$55.2 million. Non-aviation revenue had an increase of \$18.3 million, with a \$18.1 million increase in concessions.

As described in Notes 1i of the notes to the financial statements, landing fees assessed to air carriers at LAX are based on cost recovery methodologies. Rates are set using budgeted expenses and estimates of landed weight. The fees are reconciled at the end of the fiscal year using actual net 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 increased by \$18.9 million or 7.1%, from \$265.8 million in fiscal year 2017 to \$284.7 million in fiscal year 2018. The increase in landing fees was primarily due to the increase in actual capital and operating expenses allocable to the landing fee cost centers at LAX.

Building rentals increased by \$28.4 million or 5.6%, from \$508.0 million in fiscal year 2017 to \$536.4 million in fiscal year 2018. The increase was primarily attributable to the improvements and refurbishments in the terminals, scheduled rate increases associated with the Terminal Rate Agreement, as well as new and renegotiated leases signed with the airlines and other tenants at LAX.

Land rental revenue was up by \$8.6 million, from \$110.3 million in fiscal year 2017 to \$118.9 million in fiscal year 2018. The increase in land rental revenue at LAX was mainly due to an overall increase in leased areas.

Total revenue from concessions was \$469.2 million in fiscal year 2018, a 4.0% growth from \$451.1 million in fiscal year 2017. In-terminal concession revenue includes rentals collected from commercial management concessionaires, food and beverage concessionaires; duty free and retail merchants (gifts, news, and novelty items); and concessionaires for advertising, foreign exchange booths, telecommunications, automated teller machines, luggage cart rental, and security screening services. Off-terminal concession revenue is derived from auto parking, rent-a-car, bus, limousine, taxi services, TNC and other commercial ground transportation operations.

At LAX, in-terminal concession revenue during fiscal year 2018 had a net increase of \$20.1 million or 10.1% as compared to fiscal year 2017. Boosted by the increase in passenger level, duty free revenues increased by \$7.0 million, or 9.2%, commercial management concession revenue increased by \$6.8 million or 8.8%, other in-terminal revenue increased by \$2.7 million or 15.9%, and advertising revenue increased by \$3.6 million or 12.9%. The increase in other in-terminal revenue was primarily a result of the increase in foreign exchange revenue due to increased minimum annual guarantee (MAG); and the increase in advertising revenue was mainly due to the increased billboard revenue and recognition of amounts over MAG in fiscal year 2018.

Off-terminal concession revenue at LAX in fiscal year 2018 was \$250.4 million as compared to \$242.9 million in fiscal year 2017, an increase of \$7.5 million or 3.1%. The increase was mainly driven by the increase of TNC revenue of \$10.6 million or 31.5% from fiscal year 2017, offset by the decrease of rent-a-car revenue of \$3.3 million, or 3.8%. The increase in TNC revenue was a result of the increase in ridership driven by the popularity of TNC in addition to the increase in passenger traffic during fiscal year 2018.

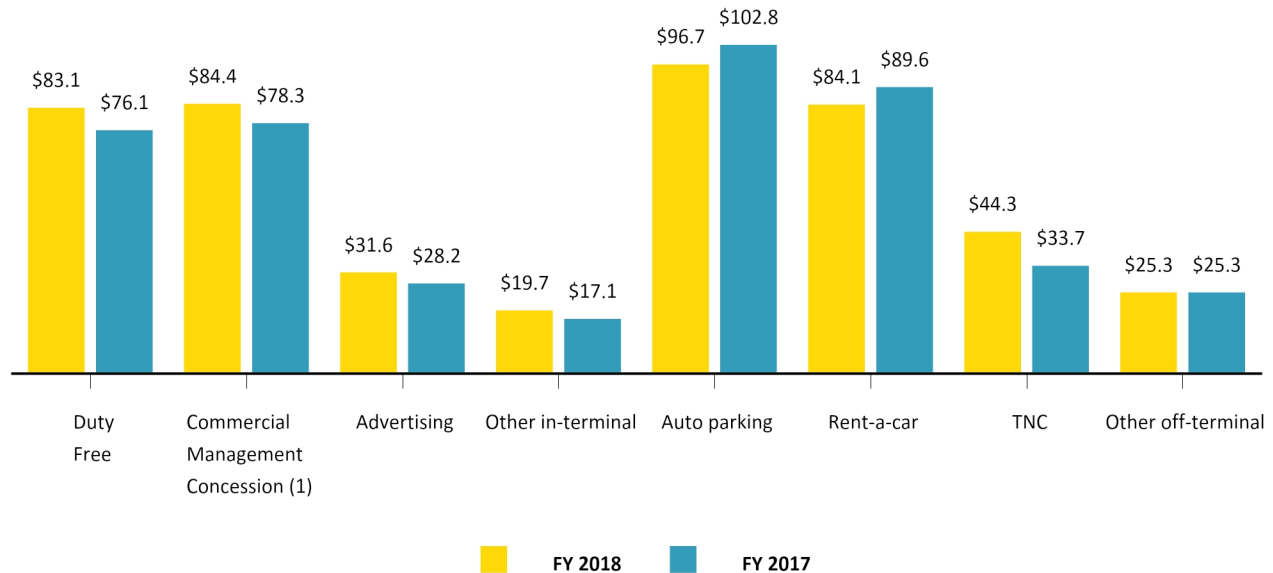


Management's Discussion and Analysis (Unaudited)

June 30, 2019 and 2018

(continued)

Comparative LAWA concession revenue by type for fiscal years 2018 and 2017 are presented in the following chart (amounts in millions).



(1) Commercial Management Concession revenue includes total revenue from food and beverage concessionaires, gifts and news and commercial management concessionaires.

Operating Expenses

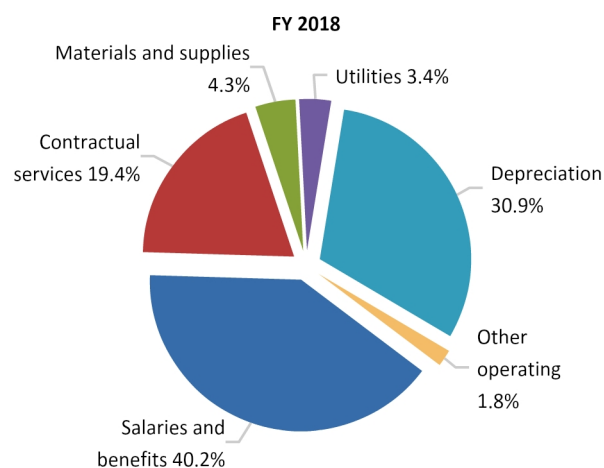
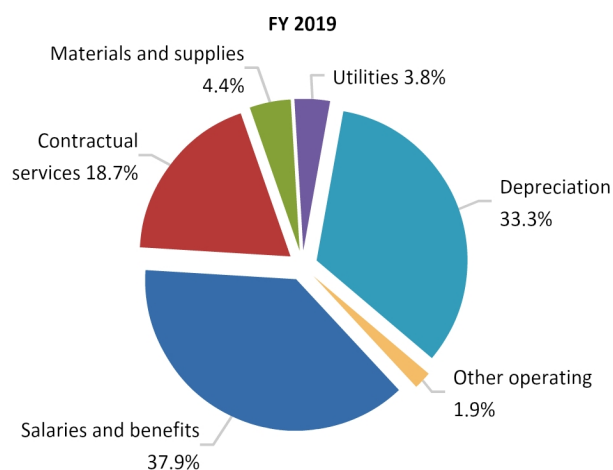
The following table presents a summary of LAWA's operating expenses for the fiscal years ended June 30, 2019, 2018, and 2017. Included in other operating expenses are expenses for advertising and public relations, training and travel, insurance, lease, and other miscellaneous items.

Summary of Operating Expenses (amounts in thousands)

	FY 2019	FY 2018	FY 2017	FY 2019 increase (decrease)	FY 2018 increase (decrease)
Salaries and benefits	\$ 464,345	\$ 474,431	\$ 455,032	\$ (10,086)	\$ 19,399
Contractual services	228,765	229,292	215,386	(527)	13,906
Materials and supplies	53,983	50,383	44,634	3,600	5,749
Utilities	47,122	40,383	37,675	6,739	2,708
Other operating expenses	23,796	21,022	25,471	2,774	(4,449)
Operating expenses before depreciation	818,011	815,511	778,198	2,500	37,313
Depreciation	407,664	365,465	309,126	42,199	56,339
Total operating expenses	<u>\$ 1,225,675</u>	<u>\$ 1,180,976</u>	<u>\$ 1,087,324</u>	<u>\$ 44,699</u>	<u>\$ 93,652</u>

Operating Expenses, Fiscal Year 2019

The following chart illustrates the proportion of categories of operating expenses for fiscal years ended June 30, 2019 and 2018.



Management's Discussion and Analysis (Unaudited)

June 30, 2019 and 2018

(continued)

For the fiscal year ended June 30, 2019, LAWA operating expenses were \$1.2 billion, a \$44.7 million or 3.8% increase from the prior fiscal year. Expense categories that experienced notable changes were decrease in salaries and benefits of \$10.1 million, increase in materials and supplies of \$3.6 million, increase in utilities of \$6.7 million, increase in other operating expenses of \$2.8 million, and increase in depreciation of \$42.2 million. Total operating expense were \$1.2 billion for LAX, a \$45.7 million or 4.0% increase from the prior fiscal year.

LAWA's salaries and benefits expense decreased by \$10.1 million or 2.1% in fiscal year 2019. At LAX, salaries and benefits expense decreased by \$9.3 million or 2.0%. Within this category, salaries and overtime before capitalized charges at LAX had an increase of \$4.7 million or 1.4%. This increase was mainly due to the terms of bargaining agreements with employee unions. The combined increase in retirement contributions and healthcare subsidy was \$7.1 million or 5.5%. Workers' compensation decreased by \$20.8 million or 79.0% in fiscal year 2019 as additional projected year-end liability was recognized in fiscal year 2018 based on the actuarial report. Non-cash pension and OPEB expenses increased by \$1.1 million to \$11.3 million in fiscal year 2019.

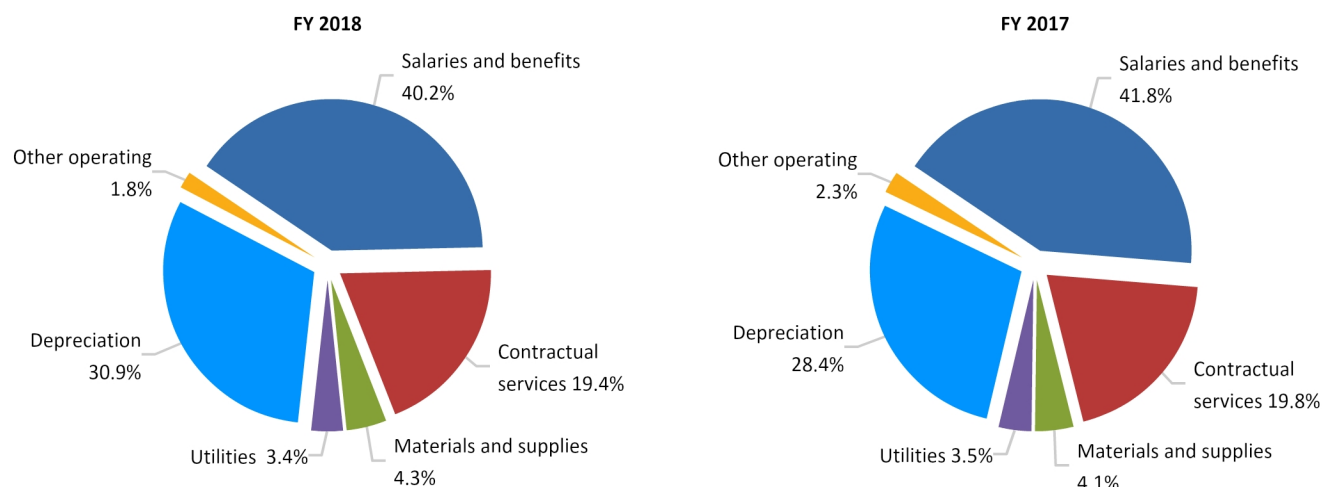
LAWA's materials and supplies increased by \$3.6 million from \$50.4 million to \$54.0 million in fiscal year 2019. LAX materials and supplies expense were \$53.4 million and \$49.7 million in fiscal year 2019 and 2018, respectively. The increase in materials and supplies at LAX was mainly due to increased purchases of computer equipments, asphalt for paving, and air-conditioning repair and materials. LAWA's utilities expense increased by \$6.7 million from \$40.4 million to \$47.1 million in fiscal year 2019. Utilities expense were \$46.2 million and \$39.4 million for LAX in fiscal year 2019 and 2018, respectively. The increase in utilities expense was mainly caused by an increase in the cost of electricity and additional load demands from terminal renovation projects.

LAWA's other operating expenses increased by \$2.8 million from \$21.0 million to \$23.8 million in fiscal year 2019. Other operating expenses were \$23.6 million and \$20.8 million for LAX in fiscal year 2019 and 2018, respectively. The increase at LAX was mainly due to higher insurance premium and advertising expenses.

LAWA's depreciation charges increased by \$42.2 million from \$365.5 million to \$407.7 million in fiscal year 2019. In LAX, depreciation charges increased from \$360.6 million to \$402.6 million in fiscal year 2019. The increase was mainly due to the \$190.0 million Terminal 4 Project acquisition and completion of the associated projects related to Terminals 1, 2 and 7.

Operating Expenses, Fiscal Year 2018

The following chart illustrates the proportion of categories of operating expenses for fiscal years ended June 30, 2018 and 2017.



For the fiscal year ended June 30, 2018, LAWA operating expenses were \$1.2 billion, a \$93.7 million or 8.6% increase from the prior fiscal year. Expense categories that experienced notable changes were salaries and benefits, up by \$19.4 million, contractual services, up by \$13.9 million, and depreciation, up by \$56.3 million, offset by the decrease in other operating expenses of \$4.4 million. Total operating expense was \$1.2 billion and \$1.0 billion for LAX in fiscal year 2018 and 2017, respectively.

LAWA's salaries and benefits expense increased by \$19.4 million or 4.3% in fiscal year 2018. At LAX, salaries and benefits expense increased by \$28.1 million or 6.4%. Within this category, salaries and overtime before capitalized charges at LAX had an increase of \$13.9 million or 4.5%. This increase was mainly due to the increase in additional staffing to provide operational support and engagement needed to effectively manage the delivery of multiple large capital projects impacting terminals and passenger access at LAX in addition to the terms of bargaining agreements with employee unions. The combined increase in retirement contributions and healthcare subsidy was \$5.2 million or 4.2%. Workers' compensation increased by \$16.6 million from \$9.7 million to \$26.3 million in fiscal year 2018 as a result of the increase in projected year-end liability in accordance with the actuarial report. Non-cash pension and OPEB expenses decreased by \$6.9 million from \$17.2 million to \$10.3 million in fiscal year 2018.

LAWA's contractual services increased by \$13.9 million from \$215.4 million to \$229.3 million in fiscal year 2018. Contractual services expense was \$221.4 million and \$203.3 million for LAX in fiscal year 2018 and 2017, respectively. The increase in contractual service expense at LAX was mainly due to increased city services charges of \$6.7 million, increased escalator and elevator preventive maintenance of \$3.5 million, and increased custom and border protection charges of \$2.7 million. The higher City services were mainly due to the increase in the City's cost allocation as a result of higher salaries and general overhead costs especially in the costs of Fire Department and Police Department, two of the largest providers of services to LAX.

Management's Discussion and Analysis (Unaudited)

June 30, 2019 and 2018

(continued)

LAWA's materials and supplies increased by \$5.7 million from \$44.6 million to \$50.4 million in fiscal year 2018. LAX expense was \$49.7 million and \$43.8 million in fiscal year 2018 and 2017, respectively. The increase in materials and supplies at LAX was mainly due to increased field paints and computer licenses and support fees.

LAWA's utilities expense increased by \$2.7 million from \$37.7 million to \$40.4 million in fiscal year 2018. Utilities expense was \$39.4 million and \$36.0 million for LAX in fiscal year 2018 and 2017, respectively.

LAWA's other operating expenses decreased by \$4.4 million from \$25.5 million to \$21.0 million in fiscal year 2018. Other operating expenses was \$20.8 million and \$25.8 million for LAX in fiscal year 2018 and 2017, respectively. The \$5.0 million decrease was mainly caused by the recognition of \$3.7 million property taxes in fiscal year 2017 for the Park One parking lot pursuant to the lease covering fiscal years 2014 to 2017 compared to \$0.9 million in fiscal year 2018.

The increase in depreciation charges from \$309.1 million to \$365.5 million in fiscal year 2018 was a result of the completion of the associated projects related to Bradley West core renovation, Terminal 7 renovation, and Terminal 1 renovation.

Nonoperating Transactions

Nonoperating transactions are activities that do not result from providing services or producing and delivering goods in connection with LAWA's ongoing operations. The following table presents a summary of these activities during fiscal years 2019, 2018, and 2017.

Summary of Nonoperating Transactions (amounts in thousands)

	FY 2019	FY 2018	FY 2017	FY 2019 increase (decrease)	FY 2018 increase (decrease)
Nonoperating revenue					
Passenger facility charges	\$ 173,100	\$ 171,431	\$ 166,770	\$ 1,669	\$ 4,661
Customer facility charges	80,248	55,759	33,890	24,489	21,869
Interest and investment income	109,420	9,945	4,275	99,475	5,670
Other nonoperating revenue	23,996	43,360	15,886	(19,364)	27,474
	<u>\$ 386,764</u>	<u>\$ 280,495</u>	<u>\$ 220,821</u>	<u>\$ 106,269</u>	<u>\$ 59,674</u>
Nonoperating expenses					
Interest expense	\$ 294,767	\$ 205,308	\$ 194,482	\$ 89,459	\$ 10,826
Other nonoperating expenses	6,728	1,917	2,493	4,811	(576)
	<u>\$ 301,495</u>	<u>\$ 207,225</u>	<u>\$ 196,975</u>	<u>\$ 94,270</u>	<u>\$ 10,250</u>
Federal and other government grants	<u>\$ 36,340</u>	<u>\$ 55,897</u>	<u>\$ 87,756</u>	<u>\$ (19,557)</u>	<u>\$ (31,859)</u>
Special item - loss on transfer of ONT	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (225,347)</u>	<u>\$ —</u>	<u>\$ 225,347</u>



Management's Discussion and Analysis (Unaudited)

June 30, 2019 and 2018

(continued)

Nonoperating Transactions, Fiscal Year 2019

PFCs increased by \$1.7 million, or 1.0% from \$171.4 million to \$173.1 million as a result of the increase of 1.5% passenger traffic in fiscal year 2019. CFCs, which are imposed on each car rental transaction collected by car rental concessionaires and remitted to LAWA, increased by \$24.5 million, or 43.9% from \$55.7 million to \$80.2 million in fiscal year 2019. The increase was primarily due to the change in CFCs rate from \$10.00 per transaction to \$7.50 per day for the first five days of each car rental contract beginning January 1, 2018.

Interest and investment income increased by \$99.5 million, or 1,000.3% in fiscal year 2019. This was mainly due to the higher interest rate and average balance of cash and pooled investments held in City Treasury, as well as the increase driven by the upward year-end net adjustment to the fair value of investment securities. Interest expenses increased by \$89.5 million, or 43.6% from \$205.3 million to \$294.8 million in fiscal year 2019 mainly due to the net additional issuances of \$1.6 billion revenue bonds (after refunding) to finance capital improvement projects at LAX.

Other nonoperating revenue decreased by \$19.4 million, or 44.7% from \$43.4 million to \$24.0 million in fiscal year 2019 primarily due to \$13.1 million noise mitigation funds returned to LAX in fiscal year 2019, offset by the litigation settlement of \$35.1 million pertaining to the Runway 25L Relocation and Center Taxiway Improvement Project at LAX in fiscal year 2018.

Other nonoperating expenses increased by \$4.8 million, or 251.0% from \$1.9 million to \$6.7 million in fiscal year 2019. The increase was mainly due to increase of \$2.3 million in bond issuance expenses in fiscal year 2019 in addition to the credit of \$2.5 million excessive environmental cleanup expenses related to the final settlement of the Palmdale Reclamation Plant contamination in fiscal year 2018.

LAWA's federal and other government grants decreased by \$19.6 million, or 35.0% in fiscal year 2019. At LAX, federal and other government grants decreased by \$24.4 million, or 45.0% from \$54.3 million to \$29.9 million mainly due to construction project re-sequencing. Construction activities on certain grant-funded projects were re-sequenced to align with future anticipated airfield and runway closures, which resulted in a decrease in grant-eligible costs incurred in fiscal year 2019.

Nonoperating Transactions, Fiscal Year 2018

LAWA's PFCs increased by \$4.7 million, or 2.8% in fiscal year 2018. At LAX, PFCs increased by \$7.5 million or 4.6% from \$163.9 million to \$171.4 million as a result of the increase of 4.5% passenger traffic in fiscal year 2018.

CFCs, which are imposed on each car rental transaction collected by car rental concessionaires and remitted to LAWLA, posted an increase of \$21.9 million, or 64.5% in fiscal year 2018. At LAX, CFCs increased by \$23.2 million, or 71.3% from \$32.5 million to \$55.7 million in fiscal year 2018. The increase was due to the change in CFCs rate from \$10.00 per transaction to \$7.50 per day for the first five days of each car rental contract beginning January 1, 2018.

Interest and investment income increased by \$5.7 million, or 132.6% in fiscal year 2018. At LAX, interest and investment income increased by \$7.2 million, or 280.4% from \$2.6 million to \$9.8 million in fiscal year 2018 mainly due to higher average balance of cash and pooled investments held in City Treasury. Interest expenses increased by \$10.8 million, or 5.6% in fiscal year 2018. At LAX, interest expenses increased by \$11.8 million, or 6.1% from \$193.5 million to \$205.3 million in fiscal year 2018 mainly due to the net additional issuances of \$737.3 million revenue bonds (after refunding) to finance capital improvement projects.

Other nonoperating revenue increased by \$27.5 million, or 172.9% in fiscal year 2018. At LAX, other nonoperating revenue increased by \$27.7 million, or 175.8% from \$15.7 million to \$43.4 million in fiscal year 2018. The increase was mainly a result of the litigation settlement of \$35.1 million pertaining to the Runway 25L Relocation and Center Taxiway Improvement Project at LAX.

Other nonoperating expenses in LAWLA and LAX decreased by \$0.6 million, or 23.1% from \$2.5 million to \$1.9 million in fiscal year 2018. The decrease was mainly due to the credit of \$2.5 million excessive environmental cleanup expenses as a result of the final settlement of the Palmdale Reclamation Plant contamination issue as described in Note 16c; offset by the increase of \$1.9 million in bond issuance expenses in fiscal year 2018.

LAWLA's federal and other government grants decreased by \$31.9 million, or 36.3% in fiscal year 2018. At LAX, federal and other government grants decreased by \$33.5 million, or 38.1% from \$87.8 million to \$54.3 million mainly due to the decrease of \$25.6 million TSA in-line baggage reimbursements grants from \$38.1 million in fiscal year 2017 to \$12.5 million in fiscal year 2018.

LAWLA transferred the assets and liabilities of ONT to OIAA on November 1, 2016 pursuant to the ONT Settlement Agreement. As a result of the transfer, LAWLA recognized a loss of \$225.3 million on the disposal of the ONT as a special item in fiscal year 2017 and none in fiscal year 2018.



Management's Discussion and Analysis (Unaudited)

June 30, 2019 and 2018

(continued)

Long-Term Debt

As of June 30, 2019, LAWA's outstanding long-term debt before unamortized premium and discount was \$7.1 billion. Issuances during the year amounted to \$1.9 billion, redemption and refunding totaled \$253.5 million, and payments for scheduled maturities were \$116.9 million. Together with the unamortized premium and discount, bonded debt of LAWA increased by \$1.8 billion to a total of \$7.8 billion.

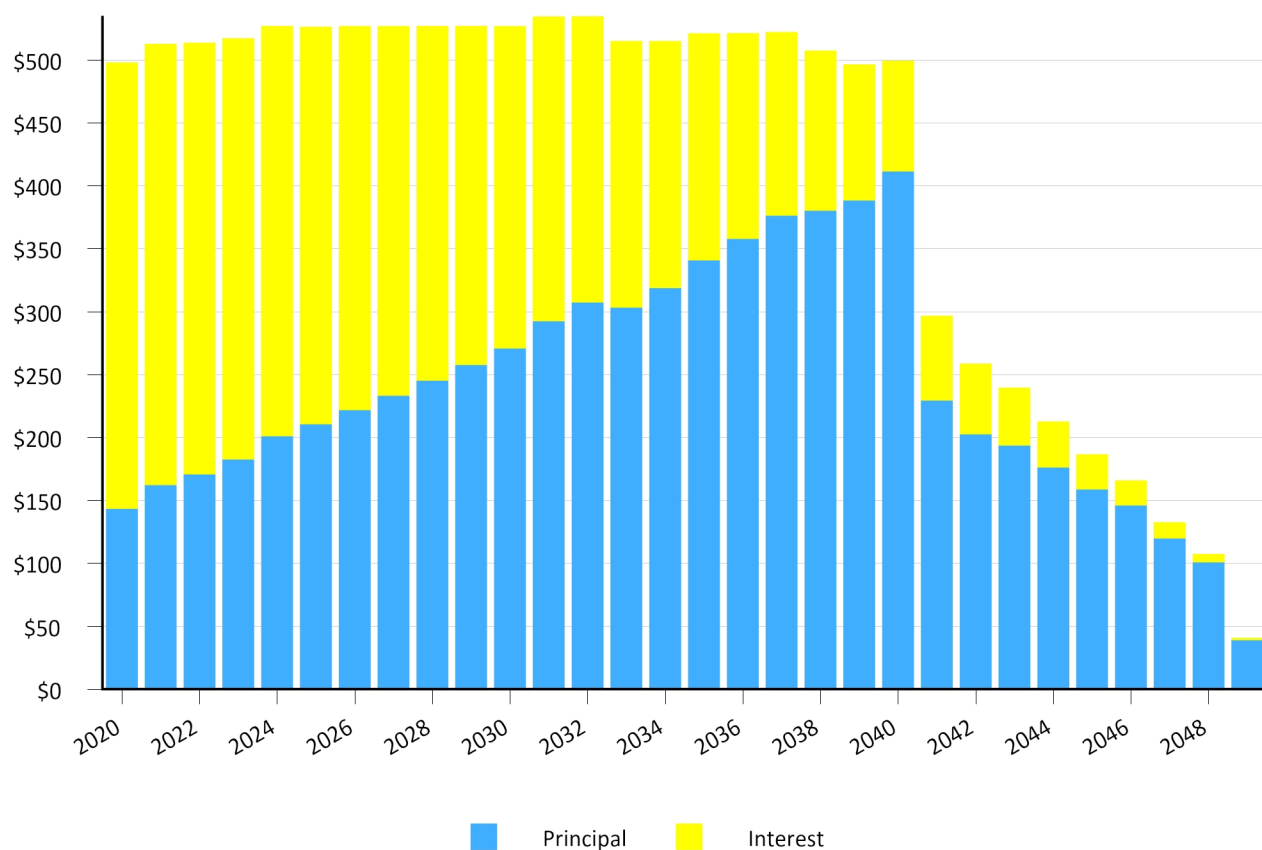
As of June 30, 2018, LAWA's outstanding long-term debt before unamortized premium and discount was \$5.6 billion. Issuances during the year amounted to \$1.0 billion, refunding totaled \$265.0 million, and payments for scheduled maturities were \$107.9 million. Together with the unamortized premium and discount, bonded debt of LAWA increased by \$757.6 million to a total of \$6.1 billion.

As of June 30, 2019 and 2018, LAWA had \$672.4 million and \$521.1 million investments, respectively, held by fiscal agents that are pledged for the payment or security of the outstanding bonds.

LAWA continues to maintain credit ratings of AA, Aa2 and AA on its senior revenue bonds and credit ratings of AA-, Aa3 and AA- on its subordinate revenue bonds from Fitch Ratings, Moody's Investor Service and Standard & Poor's Rating Services, respectively.

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

Outstanding principal, plus scheduled interest as of June 30, 2019, is scheduled to mature as shown in the following chart (amounts in millions).



Management's Discussion and Analysis (Unaudited)

June 30, 2019 and 2018

(continued)

Capital Assets

LAWA's investment in capital assets, net of accumulated depreciation, as of June 30, 2019 and 2018 were \$11.0 billion and \$9.8 billion, respectively. This investment, which accounts for 73.0% and 76.8% of LAWA's total assets as of June 30, 2019 and 2018, respectively, includes land, air easements, buildings, improvements, equipment and vehicles, emission reduction credits, and construction work in progress.

LAWA's policy affecting capital assets can be found in Note 1f of the notes to the financial statements. Additional information can be found in Note 4 of the notes to the financial statements.

Capital Assets, Fiscal Year 2019

Major capital expenditure activities during fiscal year 2019 included:

- LAX - \$470.1 million construction of Midfield Satellite Concourse (MSC)
- LAX - \$407.4 million project costs related to Landside Access Modernization Program (LAMP)⁶
- LAX - \$356.6 million renovations at Terminals 1 to 8
- LAX - \$29.4 million interior improvements and security upgrades at Tom Bradley International Terminal (TBIT) and Bradley West
- LAX - \$27.7 million construction of runways and taxiways
- LAX - \$14.5 million Central Terminal Area (CTA) curbside development project
- VNY - \$11.5 million taxiway and landside improvements

Additional details of capital commitments can be found in Note 16a of the notes to the financial statements.

⁶ This amount included APM Milestone Payment of \$174.7 million made in March 2019.

Capital Assets, Fiscal Year 2018

Major capital expenditure activities during fiscal year 2018 included:

- LAX - \$478.9 million renovations at Terminals 1 to 8
- LAX - \$385.8 million construction of MSC
- LAX - \$167.9 million project costs related to LAMP
- LAX - \$100.4 million residential acquisition, soundproofing and noise mitigation
- LAX - \$79.8 million construction of runways and taxiways
- LAX - \$31.4 million interior improvements and security upgrades at TBIT and Bradley West
- LAX - \$15.0 million construction of TBIT baggage handling system
- LAX - \$14.2 million CTA curbside development project and Second Level Roadway Joint and Deck replacement
- LAX - \$11.4 million various IT network and system projects
- LAX - \$9.4 million in costs related to construction of west maintenance facility

Additional details of capital commitments can be found in Note 16a of the notes to the financial statements.



Management's Discussion and Analysis (Unaudited)

June 30, 2019 and 2018

(continued)

Landing Fees

Los Angeles International Airport

The airline landing fees for fiscal year 2020, which became effective as of July 1, 2019 are as follows:

	Permitted air carriers	Non-permitted air carriers
For each landing of aircraft having a maximum gross landing weight of 12,500 pounds or less	\$66.00	\$83.00
For each landing of aircraft having a maximum gross landing weight of more than 12,500 pounds up to and including 25,000 pounds	127.00	159.00
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	3.93	4.91
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	5.08	6.35

The airline landing fees for fiscal year 2019, which became effective as of July 1, 2018 are as follows:

	Permitted air carriers	Non-permitted air carriers
For each landing of aircraft having a maximum gross landing weight of 12,500 pounds or less	\$62.00	\$78.00
For each landing of aircraft having a maximum gross landing weight of more than 12,500 pounds up to and including 25,000 pounds	119.00	149.00
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	3.72	4.65
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	4.75	5.94

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 World Airports' finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Chief Financial Officer, Los Angeles World Airports, 1 World Way, Los Angeles, CA 90045.

Financial Statements

2019

Comprehensive Annual Financial Report
Los Angeles World Airports



Financial Statements

2019

Comprehensive Annual Financial Report
Los Angeles World Airports



Los Angeles World Airports

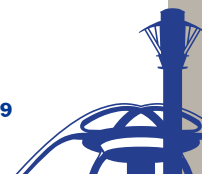
(Department of Airports of the City of Los Angeles, California)

Statements of Net Position

June 30, 2019 and 2018

(amounts in thousands)

	2019	2018
ASSETS		
Current Assets		
Unrestricted current assets		
Cash and pooled investments held in City Treasury	\$ 926,248	\$ 912,337
Investments with fiscal agents	2,615	2,167
Accounts receivable, net of allowance for uncollectible accounts: 2019 - \$105; 2018 - \$1	4,919	44
Unbilled receivables	50,712	21,879
Accrued interest receivable	8,038	6,129
Grants receivable	19,895	6,844
Loans receivable	160	150
Receivable from OIAA	9,464	9,569
Receivable from City General Fund	—	2,935
Prepaid expenses	7,357	4,550
Inventories	1,563	1,405
Total unrestricted current assets	1,030,971	968,009
Restricted current assets		
Cash and pooled investments held in City Treasury	1,027,956	874,413
Investments with fiscal agents, includes cash and cash equivalents, related to bonded debt: 2019 - \$1,682,117; 2018 - \$931,074	1,934,293	1,042,477
Accrued interest receivable	1,642	1,363
Passenger facility charges receivable	26,926	24,900
Customer facility charges receivable	7,161	8,517
Total restricted current assets	2,997,978	1,951,670
Total current assets	4,028,949	2,919,679
Noncurrent Assets		
Capital assets		
Not depreciated	3,545,887	2,815,931
Depreciated, net	7,416,801	6,989,908
Total capital assets	10,962,688	9,805,839
Other noncurrent assets		
Loans receivable, net of current portion	71	233
Receivable from OIAA, net of current portion	28,179	35,984
Total other noncurrent assets	28,250	36,217
Total noncurrent assets	10,990,938	9,842,056
TOTAL ASSETS	15,019,887	12,761,735
DEFERRED OUTFLOWS OF RESOURCES		
Loss on debt refundings	37,806	40,308
Pension and OPEB	214,677	162,101
TOTAL DEFERRED OUTFLOWS OF RESOURCES	252,483	202,409



Statements of Net Position (continued)
June 30, 2019 and 2018
(amounts in thousands)

	2019	2018
LIABILITIES		
Current Liabilities		
Current liabilities payable from unrestricted assets		
Contracts and accounts payable	\$ 282,303	\$ 278,246
Accrued salaries	23,594	18,870
Accrued employee benefits	5,465	4,365
Estimated claims payable	9,326	10,525
Commercial paper	99,791	60,832
Obligations under securities lending transactions	9,810	15,914
Other current liabilities	19,157	14,554
Total current liabilities payable from unrestricted assets	<u>449,446</u>	<u>403,306</u>
Current liabilities payable from restricted assets		
Contracts and accounts payable	16,169	7,715
Current maturities of bonded debt	143,240	120,830
Accrued interest payable	42,304	39,887
Obligations under securities lending transactions	10,305	15,487
Other current liabilities	858	4,897
Total current liabilities payable from restricted assets	<u>212,876</u>	<u>188,816</u>
Total current liabilities	<u>662,322</u>	<u>592,122</u>
Noncurrent Liabilities		
Bonded debt, net of current portion	7,699,537	5,960,266
Accrued employee benefits, net of current portion	44,217	44,673
Estimated claims payable, net of current portion	85,561	88,027
Net pension liability	786,765	723,062
Net OPEB liability	79,037	77,566
Other long-term liabilities	886	885
Total noncurrent liabilities	<u>8,696,003</u>	<u>6,894,479</u>
TOTAL LIABILITIES	<u>9,358,325</u>	<u>7,486,601</u>
DEFERRED INFLOWS OF RESOURCES		
Gain on debt refundings	3,681	—
Pension and OPEB	90,554	91,616
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>94,235</u>	<u>91,616</u>
NET POSITION		
Net investment in capital assets	4,945,969	4,706,733
Restricted for:		
Passenger facility charges eligible projects	381,032	332,874
Customer facility charges eligible projects	433,066	340,077
Operations and maintenance reserve	221,137	210,207
Federally forfeited property and protested funds	1,526	1,336
Unrestricted	(162,920)	(205,300)
TOTAL NET POSITION	<u>\$ 5,819,810</u>	<u>\$ 5,385,927</u>

See accompanying notes to the financial statements.

Los Angeles World Airports

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

Statements of Revenues, Expenses and Changes in Net Position For the Fiscal Years Ended June 30, 2019 and 2018 (amounts in thousands)

	2019	2018
OPERATING REVENUE		
Aviation revenue		
Landing fees	\$ 295,724	\$ 284,686
Building rentals	590,771	536,367
Land rentals	129,411	118,937
Other aviation revenue	10,534	9,439
Total aviation revenue	1,026,440	949,429
Concession revenue	501,179	469,201
Other operating revenue	10,330	27,596
Total operating revenue	1,537,949	1,446,226
OPERATING EXPENSES		
Salaries and benefits	464,345	474,431
Contractual services	228,765	229,292
Materials and supplies	53,983	50,383
Utilities	47,122	40,383
Other operating expenses	23,796	21,022
Total operating expenses before depreciation and amortization	818,011	815,511
Operating income before depreciation and amortization	719,938	630,715
Depreciation and amortization	407,664	365,465
OPERATING INCOME	312,274	265,250
NONOPERATING REVENUE (EXPENSES)		
Passenger facility charges	173,100	171,431
Customer facility charges	80,248	55,759
Interest and investment income	109,420	9,945
Interest expense	(294,767)	(205,308)
Other nonoperating revenue	23,996	43,360
Other nonoperating expenses	(6,728)	(1,917)
Total nonoperating revenue, net	85,269	73,270
INCOME BEFORE CAPITAL GRANTS	397,543	338,520
Federal and other government grants	36,340	55,897
CHANGE IN NET POSITION	433,883	394,417
NET POSITION, BEGINNING OF YEAR, AS PREVIOUSLY REPORTED	5,385,927	5,069,265
Change in accounting principle as a result of GASB 75 & 85	—	(77,755)
NET POSITION, BEGINNING OF YEAR, AS ADJUSTED	5,385,927	4,991,510
NET POSITION, END OF YEAR	\$ 5,819,810	\$ 5,385,927

See accompanying notes to the financial statements.



Los Angeles World Airports

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

Statements of Cash Flows

For the Fiscal Years Ended June 30, 2019 and 2018

(amounts in thousands)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 1,534,723	\$ 1,490,373
Payments to suppliers	(245,945)	(177,916)
Payments for employee salaries and benefits	(453,991)	(443,712)
Payments for City services	(114,589)	(108,374)
Net cash provided by operating activities	720,198	760,371
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Noncapital grants received	11,153	11,761
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of revenue bonds and commercial paper notes	1,769,324	896,748
Principal paid on revenue bonds and commercial paper notes	(127,477)	(112,745)
Interest paid on revenue bonds and commercial paper notes	(321,056)	(265,918)
Revenue bonds issuance costs	(2,368)	(1,679)
Acquisition and construction of capital assets	(1,352,003)	(1,381,674)
Proceeds from passenger facility charges	171,074	170,412
Proceeds from customer facility charges	81,604	50,522
Capital contributed by federal agencies	23,289	61,375
Net cash provided by (used for) capital and related financing activities	242,387	(582,959)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	65,238	36,218
Net change in fair value of investments	41,423	(25,232)
Cash collateral received (paid) under securities lending transactions	(11,286)	18,448
(Purchases) of investments	(9,395)	(93,185)
(Purchases) of investments held by fiscal agents	(140,773)	(93,818)
Net cash used in investing activities	(54,793)	(157,569)
NET INCREASE IN CASH AND CASH EQUIVALENTS	918,945	31,604
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,719,991	2,688,387
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 3,638,936</u>	<u>\$ 2,719,991</u>
CASH AND CASH EQUIVALENTS COMPONENTS		
Cash and pooled investments held in City Treasury- unrestricted	\$ 926,248	\$ 912,337
Investments with fiscal agents- unrestricted	2,615	2,167
Cash and pooled investments held in City Treasury- restricted	1,027,956	874,413
Investments with fiscal agents- restricted	1,682,117	931,074
Total cash and cash equivalents	<u>\$ 3,638,936</u>	<u>\$ 2,719,991</u>

	2019	2018
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED		
BY OPERATING ACTIVITIES		
Operating income	\$ 312,274	\$ 265,250
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	407,664	365,465
Change in provision for uncollectible accounts	104	(32)
Other nonoperating revenues, net	14,356	39,292
Changes in operating assets and liabilities and deferred outflows and inflows of resources		
Accounts receivable	(4,979)	1,613
Unbilled receivables	(28,833)	22,622
Prepaid expenses and inventories	(3,050)	(446)
Notes receivable	8,062	11,367
Contracts and accounts payable	(7,972)	51,661
Accrued salaries	4,724	733
Accrued employee benefits	644	1,194
Other liabilities	5,668	(8,786)
Net pension and OPEB liability and related changes in deferred outflows and inflows of resources	11,536	10,438
Total adjustments	407,924	495,121
Net cash provided by operating activities	<u>\$ 720,198</u>	<u>\$ 760,371</u>
SIGNIFICANT NONCASH CAPITAL AND RELATED FINANCING AND INVESTING ACTIVITIES		
Acquisition of capital assets included in contracts and accounts payable	\$ 178,625	\$ 148,912
Revenue bonds proceeds received in escrow trust fund	248,663	262,851
Debt defeased and related costs paid through escrow trust fund with revenue bonds	(248,663)	(262,851)
Contributions of capital assets	(13,051)	5,478
Revenue bonds proceeds received in escrow trust fund	190,000	—
Acquisition of capital assets with proceeds from sale of revenue bonds	(190,000)	—

See accompanying notes to the financial statements.



This page intentionally left blank.



Index to the Notes to the Financial Statements

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

	<u>Page</u>
1. Reporting Entity and Summary of Significant Accounting Policies	47
2. New Accounting Standards	56
3. Cash and Investments	58
4. Capital Assets	64
5. Commercial Paper	66
6. Bonded Debt	67
7. Changes in Long-Term Liabilities	72
8. Leases and Agreements	74
9. Passenger Facility Charges	78
10. Customer Facility Charges	79
11. Capital Grant Contributions	80
12. Related Party Transactions	80
13. Pension Plan	81
14. Other Postemployment Benefit Plan	92
15. Risk Management	101
16. Commitments, Litigations, and Contingencies	103
17. Subsequent Events	105



This page intentionally left blank.



Los Angeles World Airports

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

Notes to the Financial Statements

June 30, 2019 and 2018

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) and Van Nuys Airport (VNY) general aviation airport. In addition LAWA owns approximately 17,750 acres of land located east of United States Air Force Plant 42 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.

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

b. Basis of Accounting

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



Notes to the Financial Statements

June 30, 2019 and 2018

(continued)

c. Cash, Cash Equivalents, and Investments

LAWA's cash, cash equivalents, and investments and a significant portion of its restricted cash and investments are maintained as part of the City's pool of cash and investments. LAW A's portion of the pool is presented on the statements of net position as 'Cash and Pooled Investments Held in City Treasury'. 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. LAW A 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. LAW A 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.

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

d. Accounts Receivables and Unbilled Receivables

LAW A recognizes revenue in the period earned. Receivables outstanding beyond 90 days are put into the collection process and then referred after 120 days to LAW A's resident City attorneys for possible write-off. An allowance for uncollectible accounts is set up as a reserve by LAW A 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

LAW A'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 when properties are acquired by donation or by termination of leases, less allowance for accumulated depreciation. Maintenance and repairs are charged to operations in the period incurred. Renewals and betterments are capitalized in the asset accounts. LAWA has a capitalization threshold of \$5,000 for all capital assets other than internally generated computer software where the threshold is \$500,000. Preliminary costs of capital projects incurred prior to the finalization of formal construction contracts are recorded in construction work in progress. In the event the proposed capital projects are abandoned, the associated preliminary costs are charged to expense in the year of abandonment.

As described in Note 2 of the notes to the financial statements, in fiscal year 2019, LAWA early implemented GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, and recognized the interest costs incurred before the end of a construction period as an expense in the period in which the cost is incurred. Accordingly, there was no capitalized interest in fiscal year 2019. In fiscal year 2018, LAWA capitalized interest costs of bond proceeds used during construction (net of interest earnings on the temporary investment of tax-exempt bond proceeds) in the amount of \$45.2 million.

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

g. Contracts Payable, Accounts Payable, and Other Liabilities

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

h. Operating and Nonoperating Revenues and Expenses

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



Notes to the Financial Statements

June 30, 2019 and 2018

(continued)

i. Landing Fees

Landing fee rates determine the charges to the airlines each time that a qualified aircraft lands at LAX. Landing fees are 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 those facilities. Landing fees are initially set using estimates of cost and activity and are reconciled to actual results following each fiscal year end.

j. Terminal Rates and Charges

On September 17, 2012, the Board approved a methodology of calculating rates and charges for airlines and airline consortia using passenger terminals at LAX. The 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 rates were effective January 1, 2013 to airlines and airline consortia (signatory airlines) agreeing to the methodology and executing a rate agreement with LAWA. Agreements with signatory airlines terminate on December 31, 2022. The rate agreement provides a Signatory Transitional Phase-in (STP) program that allows for reduced rates during the first five years of the implementation period; this program expired in fiscal year 2018 for the calendar 2018 rate setting. Signatory airlines in good standing are also eligible to participate to rate agreement revenue sharing programs.

Prior to fiscal year 2019, airlines with existing leases that opted not to sign an agreement under the methodology (non-signatory tenant airlines) continued to pay rates and charges based on their legacy leases. During fiscal year 2019, all such remaining aeronautical leases were transitioned to the rate agreement methodology.

k. Concession Revenue

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

I. Unearned Revenue

Unearned revenue consists of concessionaire rentals and payments received in advance and is recorded as other current liabilities.

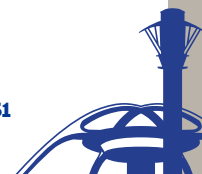
m. Accrued Employee Benefits

Accrued employee benefits include estimated liability for vacation and sick leave. LAWA employees accumulate annual vacation and sick leave in varying amounts based on length of service. Vacation and sick leave are recorded as earned. Upon termination or retirement, employees are paid the cash value of their accumulated leave. Accrued employee benefits as of June 30, 2019 and 2018 are as follows (amounts in thousands):

Type of benefit	2019	2018
Accrued vacation leave	\$ 25,758	\$ 25,374
Accrued sick leave	23,924	23,664
Sub-total	49,682	49,038
Current portion	(5,465)	(4,365)
Noncurrent portion	\$ 44,217	\$ 44,673

n. Deferred Outflows and Inflows of Resources

In addition to assets and liabilities, LAWA 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. LAWA has deferred charges on debt refunding to account for gain/loss on bond refunding transactions, and deferred outflows/inflows of resources related to pensions and other postemployment benefit (OPEB).



Notes to the Financial Statements

June 30, 2019 and 2018

(continued)

For fiscal years ended June 30, 2019 and 2018, LAWA reported total net pension liability, deferred outflows/inflows of resources related to pensions, and pension expenses for Los Angeles City Employees' Retirement System (LACERS) and City of Los Angeles Fire and Police Pensions (LAFPP) as follows (amounts in thousands):

	2019	2018
Net pension liability		
LACERS - proportionate shares	\$ 785,272	\$ 723,062
LAFPP - proportionate shares	1,493	—
Total net pension liability	<u>\$ 786,765</u>	<u>\$ 723,062</u>
Deferred outflows of resources related to pensions		
LACERS - proportionate shares	\$ 180,701	\$ 142,155
LAFPP - proportionate shares	2,990	—
Total deferred outflows of resources related to pensions	<u>\$ 183,691</u>	<u>\$ 142,155</u>
Deferred inflows of resources related to pensions		
LACERS - proportionate shares	\$ 64,599	\$ 72,398
LAFPP - proportionate shares	37	—
Total deferred inflows of resources related to pensions	<u>\$ 64,636</u>	<u>\$ 72,398</u>
Pension expenses		
LACERS - proportionate shares	\$ 81,613	\$ 73,212
LAFPP - proportionate shares	(288)	—
Total pension expenses	<u>\$ 81,325</u>	<u>\$ 73,212</u>

For fiscal years ended June 30, 2019 and 2018, LAWA reported total net OPEB liability, deferred outflows/inflows of resources related to OPEB, and OPEB expenses for LACERS and LAFPP as follows (amounts in thousands):

	2019	2018
Net OPEB liability		
LACERS - proportionate shares	\$ 78,324	\$ 77,566
LAFPP - proportionate shares	713	—
Total net OPEB liability	<u>\$ 79,037</u>	<u>\$ 77,566</u>
Deferred outflows of resources related to OPEB		
LACERS - proportionate shares	\$ 29,895	\$ 19,946
LAFPP - proportionate shares	1,091	—
Total deferred outflows of resources related to OPEB	<u>\$ 30,986</u>	<u>\$ 19,946</u>
Deferred inflows of resources related to OPEB		
LACERS - proportionate shares	\$ 25,913	\$ 19,218
LAFPP - proportionate shares	5	—
Total deferred inflows of resources related to OPEB	<u>\$ 25,918</u>	<u>\$ 19,218</u>
OPEB expenses		
LACERS - proportionate shares	\$ 11,744	\$ 12,893
LAFPP - proportionate shares	235	—
Total OPEB expenses	<u>\$ 11,979</u>	<u>\$ 12,893</u>



Notes to the Financial Statements

June 30, 2019 and 2018

(continued)

o. Federal Grants

When a grant agreement is approved and eligible expenditures are incurred, the amount is recorded as a federal grant receivable and as nonoperating 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 and discounts 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.

LAWA amortizes bond premiums or discounts using the 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 at the time of issuances 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.
- *Unrestricted Net Position* - This category represents net position of LAWA that is not restricted for any project or other purpose.

r. Use of Restricted/Unrestricted Net Position

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

s. Use of Estimates

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

t. Adjustment of Net Position

The net position at July 1, 2017 was adjusted by \$77.8 million to account for the change in accounting principle as a result of the implementation of GASB Statements No. 75 and No. 85 (amounts in thousands):

	2018
NET POSITION, BEGINNING OF YEAR, AS PREVIOUSLY REPORTED	\$ 5,069,265
Change in accounting principle as a result of implementation of GASB Statement No. 75 and No. 85	<u>(77,755)</u>
NET POSITION, BEGINNING OF YEAR, AS ADJUSTED	<u>\$ 4,991,510</u>



Notes to the Financial Statements

June 30, 2019 and 2018

(continued)

2. New Accounting Standards

Implementation of the following GASB statements is effective fiscal year 2019.

Issued in November 2016, GASB Statement No. 83, *Certain Asset Retirement Obligations* establishes standards of accounting and financial reporting for certain Asset Retirement Obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement. This statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. LAWA implemented this statement without material impact.

Issued in March 2018, GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. Additional disclosure information can be found in Note 6(f) of the notes to financial statements.

Issued in June 2018, GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. LAWA early implemented this statement in fiscal year 2019 and recognized net interest expense (after construction funds interest income) of \$43.5 million in fiscal year 2019.

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

Issued in January 2017, GASB Statement No. 84, *Fiduciary Activities* establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Implementation of this statement is effective fiscal year 2020.

Issued in June 2017, GASB Statement No. 87, *Leases* is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Implementation of this statement is effective fiscal year 2021.

Issued in August 2018, GASB Statement No. 90, *Majority Equity Interest* will improve financial reporting by providing users of financial statements with essential information related to presentation of majority equity interests in legally separate organizations that previously was reported inconsistently. This statement requires reporting of information about component units if the government acquires a 100 percent equity interest provides information about the cost of services to be provided by the component unit in relation to the consideration provided to acquire the component unit. Implementation of this statement is effective fiscal year 2020.

Issued in May 2019, GASB Statement No. 91, *Conduit Debt Obligations* clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer, establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. Implementation of this statement is effective fiscal year 2022.



Notes to the Financial Statements

June 30, 2019 and 2018

(continued)

3. Cash and Investments

a. Pooled Investments

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

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

LAWA maintains a portion of its unrestricted and restricted cash and investments in the City's cash and investment pool (the Pool). LAWA's share of \$1.9 billion and \$1.8 billion in the Pool as of June 30, 2019 and 2018 represented approximately 18.3% and 19.6%, respectively. There are no specific investments belonging to LAWA. Included in LAWA's portion of the Pool is the allocated investment agreements traded at year-end that were settled in the subsequent fiscal year. LAWA's allocated shares for fiscal years 2019 and 2018 were \$0.1 million and \$9.5 million, respectively, and were reported as other current liabilities in the statement of net position. The City issues a publicly available financial report that includes complete disclosures related to the entire cash and investment pool. The report may be obtained by writing to the City of Los Angeles, Office of the Controller, 200 North Main Street, City Hall East Suite 300, Los Angeles, CA 90012, or by calling (213) 978-7200.

b. City of Los Angeles Securities Lending Program

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

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



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

LAWA participates in the City's securities lending program through the pooled investment fund. LAWA recognizes its proportionate share of the cash collateral received for securities loaned and related obligation for the general investment pool. At June 30, 2019, LAWA's portion of the cash collateral and the related obligation in the City's program was \$20.1 million. LAWA's portion of the securities purchased from the reinvested cash collateral at June 30, 2019 was \$20.1 million. Such securities are stated at fair value and reported under the cash and pooled investment held in City Treasury. LAWA's portion of the noncash collateral at June 30, 2019 was \$85.5 million. At June 30, 2018, LAWA's portion of the cash collateral and the related obligation in the City's program was \$31.4 million. LAWA's portion of the securities purchased from the reinvested cash collateral at June 30, 2018 was \$31.4 million. Such securities are stated at fair value and reported under the cash and pooled investment held in City Treasury. LAWA's portion of the noncash collateral at June 30, 2018 was \$54.2 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, 2019 and 2018 because the amounts owed to the borrowers exceeded the amounts borrowed. Loaned securities are held by the City's agents in the City's name and are not subject to custodial credit risk.



Notes to the Financial Statements

June 30, 2019 and 2018

(continued)

c. Investments with Fiscal Agents

The investment practices of the fiscal agents that relate to LAWA's portfolio are similar as those of the City Treasurer, and have similar objectives. LAWA's investments held by fiscal agents are for the following purposes as of June 30 (amounts in thousands):

	2019	2018
Unrestricted, current		
Commercial paper and cash at bank	\$ 2,615	\$ 2,167
Restricted, current and noncurrent		
Bond security funds	672,423	521,122
Construction funds	1,261,870	521,355
Subtotal	1,934,293	1,042,477
Total	\$ 1,936,908	\$ 1,044,644

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

At June 30, 2019, the investments and their maturities are as follows (amounts in thousands):

	Amount	Investment maturities	
		1 to 60 days	61 to 365 days
Money market mutual funds	\$ 1,483,254	\$ 1,483,254	\$ —
State of California LAIF	98,427	—	98,427
U.S. Treasury securities	352,612	100,436	252,176
Subtotal	1,934,293	\$ 1,583,690	\$ 350,603
Bank deposit accounts	2,615		
Total	\$ 1,936,908		

At June 30, 2018, the investments and their maturities are as follows (amounts in thousands):

	Amount	Investment maturities	
		1 to 60 days	61 to 365 days
Money market mutual funds	\$ 428,576	\$ 428,576	\$ —
State of California LAIF	222,479	—	222,479
U.S. Treasury securities	391,422	280,019	111,403
Subtotal	1,042,477	\$ 708,595	\$ 333,882
Bank deposit accounts	2,167		
Total	\$ 1,044,644		

Fair Value Measurements

The investments are categorized into its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. These principles recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Investments reflect prices quoted in active markets;
- Level 2: Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active; and.
- Level 3: Investments reflect prices based upon unobservable sources.

At June 30, 2019, the investments by fair value level are as follows (amounts in thousands):

	Amount	Fair Value Measurements Using Level 1
Money Market Funds	\$ 1,483,254	\$ 1,483,254
U.S. Treasury securities	352,612	352,612
Total investments by fair value level	1,835,866	\$ 1,835,866
Investments not subject to fair value hierarchy		
State of California LAIF	98,427	
Bank deposit accounts	2,615	
Total	\$ 1,936,908	



Notes to the Financial Statements

June 30, 2019 and 2018

(continued)

At June 30, 2018, the investments by fair value level are as follows (amounts in thousands):

	Amount	Fair Value Measurements Using Level 1
Money Market Funds	\$ 428,576	\$ 428,576
U.S. Treasury securities	391,422	391,422
Total investments by fair value level	819,998	819,998
Investments not subject to fair value hierarchy		
State of California LAIF	222,479	
Bank deposit accounts	2,167	
Total	\$ 1,044,644	

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

Credit Risk. The City's policy requires that a mutual fund must receive the highest ranking by not less than two nationally recognized rating agencies. At June 30, 2019 and 2018, the money market mutual funds were rated AAAM by Standard and Poor's, and Aaa by Moody's.

Concentration of Credit Risk. The City's policy does not allow more than 40% of its investment portfolio to be invested in commercial paper and bankers' acceptances, 30% in certificates of deposit and medium term notes, 20% in mutual funds, money market mutual funds or mortgage passthrough securities. The policy further provides for a maximum concentration limit of 10% in any one issuer including its related entities. There is no percentage limitation on the amount that can be invested in the U.S. Treasury and government agencies.

As of June 30, 2019, LAWA's investments in the LAIF held by fiscal agents totaled \$98.4 million. The total amount invested by all public agencies in LAIF at that date was \$24.6 billion. The LAIF is part of the State's Pooled Money Investment Account (PMIA). As of June 30, 2019, the investments in the PMIA totaled \$106.0 billion, of which 98.2% is invested in non-derivative financial products and 1.8% in structured notes and asset-backed securities. The weighted average maturity of LAIF investments was 173 days as of June 30, 2019. LAIF is not rated. As of June 30, 2018, LAWA's investments in the LAIF held by fiscal agents totaled \$222.5 million. The total amount invested by all public agencies in LAIF at that date was \$22.5 billion. As of June 30, 2018, the investments in the PMIA totaled \$88.9 billion, of which 97.3% is invested in non-derivative financial products and 2.7% in structured notes and asset-backed securities. The weighted average maturity of LAIF investments was 193 days as of June 30, 2018.

The Local Investment Advisory Board (Advisory Board) has oversight responsibility for LAIF. The Advisory Board consists of five members as designated by State statute. The Pooled Money Investment Board whose members are the State Treasurer, Director of Finance, and State Controller, has oversight responsibility for PMIA. The value of the pool shares in LAIF, which may be withdrawn anytime, is determined on a historical basis, which is different than the fair value of LAWA's position in the pool. The bank deposit accounts are covered by Federal depository insurance up to a certain amount. Financial institutions are required under California law to collateralize the uninsured portion of the deposits by pledging government securities or first trust deed mortgage notes. The collateral is held by the pledging institution's trust department and is considered held in LAWA's name.



Notes to the Financial Statements

June 30, 2019 and 2018

(continued)

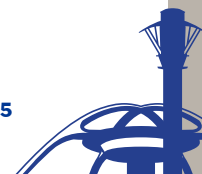
4. Capital Assets

LAWA had the following activities in capital assets during fiscal year 2019 (amounts in thousands):

	Balance at July 1, 2018	Additions	Retirements & disposals	Transfers	Balance at June 30, 2019
Capital assets not depreciated					
Land and land clearance	\$ 1,225,777	\$ —	\$ —	\$ 46,543	\$ 1,272,320
Air easements	44,472	—	—	—	44,472
Emission reduction credits	2,772	—	—	—	2,772
Construction work in progress	1,542,910	1,355,221	(643)	(671,165)	2,226,323
Total capital assets not depreciated	2,815,931	1,355,221	(643)	(624,622)	3,545,887
Capital assets depreciated					
Buildings	3,610,503	—	—	1,059	3,611,562
Improvements	5,707,689	194,359	—	534,110	6,436,158
Equipment and vehicles	205,003	15,941	(6,452)	89,453	303,945
Others	38,087	—	—	—	38,087
Total capital assets depreciated	9,561,282	210,300	(6,452)	624,622	10,389,752
Accumulated depreciation					
Buildings	(741,666)	(114,112)	—	—	(855,778)
Improvements	(1,648,870)	(278,973)	—	—	(1,927,843)
Equipment and vehicles	(180,838)	(14,580)	6,088	—	(189,330)
Total accumulated depreciation	(2,571,374)	(407,665)	6,088	—	(2,972,951)
Capital assets depreciated, net	6,989,908	(197,365)	(364)	624,622	7,416,801
Total	\$ 9,805,839	\$ 1,157,856	\$ (1,007)	\$ —	\$ 10,962,688

LAWA had the following activities in capital assets during fiscal year 2018 (amounts in thousands):

	Balance at July 1, 2017	Additions	Retirements & disposals	Transfers	Balance at June 30, 2018
Capital assets not depreciated					
Land and land clearance	\$ 1,014,058	\$ —	\$ —	\$ 211,719	\$ 1,225,777
Air easements	44,472	—	—	—	44,472
Emission reduction credits	3,070	—	—	(298)	2,772
Construction work in progress	1,207,826	1,417,127	(22)	(1,082,021)	1,542,910
Total capital assets not depreciated	2,269,426	1,417,127	(22)	(870,600)	2,815,931
Capital assets depreciated					
Buildings	3,605,063	618	—	4,822	3,610,503
Improvements	4,874,399	2,510	—	830,780	5,707,689
Equipment and vehicles	257,254	9,110	(58,272)	(3,089)	205,003
Others	—	—	—	38,087	38,087
Total capital assets depreciated	8,736,716	12,238	(58,272)	870,600	9,561,282
Accumulated depreciation					
Buildings	(627,413)	(114,253)	—	—	(741,666)
Improvements	(1,444,003)	(237,907)	—	33,040	(1,648,870)
Equipment and vehicles	(188,436)	(13,305)	53,943	(33,040)	(180,838)
Total accumulated depreciation	(2,259,852)	(365,465)	53,943	—	(2,571,374)
Capital assets depreciated, net	6,476,864	(353,227)	(4,329)	870,600	6,989,908
Total	\$ 8,746,290	\$ 1,063,900	\$ (4,351)	\$ —	\$ 9,805,839



Notes to the Financial Statements

June 30, 2019 and 2018

(continued)

5. Commercial Paper

As of June 30, 2019 and 2018, LAWA had outstanding commercial paper (CP) notes of \$99.8 million and \$60.8 million, respectively. The respective average interest rates in effect as of June 30, 2019 and 2018 were 1.98% and 1.96%. The CP notes mature no more than 270 days from the date of issuance. The CP notes were issued as a means of interim financing for certain capital expenditures and redemption of certain bond issues.

LAWA entered into a letter of credit (LOC) and reimbursement agreements with the following institutions to provide liquidity and credit support for the CP program: Barclays Bank PLC (Barclays) for \$109.0 million to expire on September 11, 2020; Sumitomo Mitsui Banking Corporation (Sumitomo); acting through its New York Branch for \$218.0 million to expire on September 11, 2020; and Wells Fargo Bank (Wells Fargo) for \$218.0 million to expire on September 11, 2020. As of June 30, 2019, LAWA had undrawn LOC balances of \$109.0 million from Barclays, \$218.0 million from Sumitomo, and \$118.2 million from Wells Fargo. As of June 30, 2018, LAWA had undrawn LOC balances of \$109.0 million from Barclays, \$218.0 million from Sumitomo, and \$157.2 million from Wells Fargo. LAWA paid the LOC banks an annual commitment fee ranging from 0.30% and 0.32% on the stated amount of the LOC. LOC fees of \$1.7 million and \$1.8 million were paid for fiscal years 2019 and 2018, respectively.

LAWA had the following CP activity during fiscal year 2019 (amounts in thousands):

	Balance at		Balance at	
	July 1, 2018	Additions	Reductions	June 30, 2019
Series A	\$ —	\$ 4,345	\$ —	\$ 4,345
Series B	19,380	38,767	—	58,147
Series C	41,452	564	(4,717)	37,299
Total	<u>\$ 60,832</u>	<u>\$ 43,676</u>	<u>\$ (4,717)</u>	<u>\$ 99,791</u>

LAWA had the following CP activity during fiscal year 2018 (amounts in thousands):

	Balance at		Balance at	
	July 1, 2017	Additions	Reductions	June 30, 2018
Series B	\$ 3,081	\$ 16,299	\$ —	\$ 19,380
Series C	45,655	692	(4,895)	41,452
Total	<u>\$ 48,736</u>	<u>\$ 16,991</u>	<u>\$ (4,895)</u>	<u>\$ 60,832</u>

6. Bonded Debt

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

a. Outstanding Debt

Outstanding revenue and revenue refunding bonds are due serially in varying annual amounts. Bonds outstanding as of June 30, 2019 and 2018 are as follows (amounts in thousands):

Bond issues	Issue date	Interest rate	Fiscal year of last scheduled maturity	Original principal	Outstanding principal	
					2019	2018
Issue of 2008, Series C	8/6/08	3.000% - 5.250%	2038	\$ 243,350	\$ —	\$ 5,905
Issue of 2009, Series A	12/3/09	2.000% - 5.250%	2039	310,410	—	263,775
Issue of 2009, Series C	12/3/09	5.175% - 6.582%	2039	307,350	272,370	281,570
Issue of 2009, Series E	12/3/09	2.000% - 5.000%	2020	39,750	4,565	8,915
Issue of 2010, Series A	4/8/10	3.000% - 5.000%	2040	930,155	835,265	851,545
Issue of 2010, Series B	11/4/10	5.000%	2040	134,680	134,680	134,680
Issue of 2010, Series C	11/4/10	7.053%	2040	59,360	59,360	59,360
Issue of 2010, Series D	11/30/10	3.000% - 5.500%	2040	875,805	817,535	827,665
Issue of 2012, Series A	12/18/12	3.000% - 5.000%	2029	105,610	64,875	72,510
Issue of 2012, Series B	12/18/12	2.000% - 5.000%	2037	145,630	127,310	130,455
Issue of 2012, Series C	12/18/12	3.000% - 5.000%	2019	27,870	—	9,660
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	63,765	65,755
Issue of 2015, Series A	2/24/15	2.000% - 5.000%	2045	267,525	253,385	258,120
Issue of 2015, Series B	2/24/15	3.000% - 5.000%	2045	47,925	45,295	46,200
Issue of 2015, Series C	2/24/15	2.000% - 5.000%	2038	181,805	178,400	179,300
Issue of 2015, Series D	11/24/15	5.000%	2041	296,475	278,545	284,815
Issue of 2015, Series E	11/24/15	2.000% - 5.000%	2041	27,850	25,245	26,145
Issue of 2016, Series A	6/1/16	3.000% - 5.000%	2042	289,210	274,605	281,265
Issue of 2016, Series B	1/19/17	4.000% - 5.000%	2046	451,170	447,015	450,990
Issue of 2016, Series C	12/6/16	1.425% - 3.887%	2038	226,410	215,415	223,885
Issue of 2017, Series A	7/26/17	5.000%	2047	260,610	259,055	260,610
Issue of 2017, Series B	7/26/17	5.000%	2042	88,730	86,735	88,730
Issue of 2018, Series A	3/15/18	4.000% - 5.250%	2048	426,475	426,475	426,475
Issue of 2018, Series B	4/12/18	5.000%	2034	226,500	226,500	226,500
Issue of 2018, Series C	8/8/18	5.000% - 5.750%	2044	425,000	423,070	—
Issue of 2018, Series D	11/14/18	5.000%	2048	418,390	418,390	—
Issue of 2018, Series E	11/14/18	5.000%	2048	159,980	159,980	—
Issue of 2019, Series A	3/12/19	4.000% - 5.000%	2049	199,830	199,830	—
Issue of 2019, Series B	3/12/19	4.000% - 5.000%	2049	49,410	49,410	—
Issue of 2019, Series C	3/12/19	5.000%	2039	189,095	189,095	—
Issue of 2019, Series D	6/27/19	4.000% - 5.000%	2049	167,955	167,955	—
Issue of 2019, Series E	6/27/19	4.000% - 5.000%	2049	265,190	265,190	—
Total principal amount				<u>\$ 8,087,365</u>	7,140,000	5,635,515
Unamortized premium					702,777	445,581
Net revenue bonds					7,842,777	6,081,096
Current portion of debt					(143,240)	(120,830)
Net noncurrent debt					<u>\$ 7,699,537</u>	<u>\$ 5,960,266</u>

Notes to the Financial Statements

June 30, 2019 and 2018

(continued)

b. Pledged Revenue

The bonds are subject to optional and mandatory sinking fund redemption prior to maturity. LAWA has agreed to certain covenants with respect to bonded indebtedness. The bonds are secured by a pledge of and lien on net pledged revenues as defined in the master senior and subordinate indentures, which pledge and lien remains in place until the bonds are no longer outstanding. Under the bond indentures, pledged revenues include substantially the total operating revenue with the Build America Bonds (BABs) subsidy, nonoperating Transportation Security Administration (TSA) revenue, interest income net of PFC, CFC and construction funds, but do not include PFC revenues, CFC revenues, and certain other nonoperating revenues.

LAWA has received approval from the FAA to collect and use passenger facility charges (PFCs) to pay for debt service on bonds issued to finance the Tom Bradley International Terminal (TBIT) Renovations, Bradley West projects and Terminal 6 improvements. Board of Airport Commissioners authorized amounts of \$147.7 million and \$136.0 million were used for debt service in fiscal years 2019 and 2018, respectively.

The total principal and interest remaining to be paid on the bonds is \$12.5 billion. Principal and interest paid during fiscal year 2019 and the net pledged revenues on GAAP basis (as defined in the master senior and subordinate indentures, after application of the \$147.7 million PFCs funds discussed in the preceding paragraph), were \$442.5 million and \$948.3 million, respectively. Principal and interest paid during fiscal year 2018 and the net pledged revenues on GAAP basis (as defined in the master senior and subordinate indentures, after application of the \$136.0 million PFCs funds discussed in the preceding paragraph), were \$372.9 million and \$793.9 million, respectively.

c. Bond Issuances

Fiscal Year 2019

On August 8, 2018, LAWA issued \$425.0 million of LAX subordinate revenue bonds Series 2018C with a premium of \$62.9 million. The bonds were issued to fund certain capital projects at LAX.

On November 14, 2018, LAWA issued \$418.4 million of LAX subordinate revenue bonds Series 2018D with a premium of \$47.8 million, and \$160.0 million of subordinate revenue bonds Series 2018E with a premium of \$22.1 million. The bonds were issued to fund certain capital projects at LAX, and to fund an escrow for the purpose of defeasing the outstanding Regional Airports Improvement Corporation Facilities Sublease Revenue Bonds (Terminal 4 Project) issued by American Airlines.

On March 12, 2019, LAWA issued \$199.8 million of LAX subordinate revenue bonds Series 2019A with a premium of \$26.0 million, \$49.4 million of LAX subordinate revenue bonds Series 2019B with a premium of \$8.9 million, and \$189.1 million of LAX subordinate revenue bonds Series 2019C with a premium of \$35.6 million. The bonds were issued to fund certain capital projects at LAX, and to refund and defease the Series 2009A senior revenue bonds in the amount of \$247.6 million. This transaction resulted in a cash flow savings of \$61.3 million and an economic gain of \$48.6 million.

On June 27, 2019, LAWA issued \$168.0 million of LAX subordinate revenue bonds Series 2019D with a premium of \$30.2 million, and \$265.2 million of LAX subordinate revenue bonds Series 2019E with a premium of \$59.8 million. The bonds were issued to fund certain capital projects at LAX.

Fiscal Year 2018

On July 26, 2017, LAWA issued \$260.6 million of LAX subordinate revenue bonds Series 2017A with a premium of \$38.8 million, and \$88.7 million LAX subordinate revenue bonds Series 2017B with a premium of \$15.9 million. On March 15, 2018, LAWA issued \$426.5 million LAX subordinate revenue bonds Series 2018A with a premium of \$54.1 million. On April 12, 2018, LAWA issued \$226.5 million LAX senior refunding revenue bonds Series 2018B with a premium of \$37.3 million. The Series 2017A, 2017B, and 2018A bonds were issued to fund certain capital projects at LAX. The Series 2018B bonds were issued to refund and defease a portion of the Series 2008A senior revenue bonds in an amount of \$265.0 million. This transaction resulted in a cash flow savings of \$72.7 million and an economic gain of \$52.7 million.

On December 6, 2016, LAWA issued \$226.4 million of LAX senior refunding revenue bonds Series 2016C, and on January 19, 2017, \$451.2 million of LAX subordinate revenue bonds Series 2016B. The Series 2016C bonds were issued at par, and the Series 2016B bonds were sold with premium of \$51.1 million. The 2016C bonds were issued to advance refund and defease a portion of the Series 2008A senior revenue bonds in the amount of \$214.1 million. These transactions resulted in a cash flow savings of \$39.7 million and economic gain of \$24.8 million. The 2016B bonds were issued to fund certain capital projects at LAX.



Notes to the Financial Statements

June 30, 2019 and 2018

(continued)

d. Principal Maturities and Interest

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

Fiscal year(s) ending	Principal	Interest	Total
2020	\$ 143,240	\$ 354,720	\$ 497,960
2021	162,110	350,718	512,828
2022	170,690	342,924	513,614
2023	182,485	334,723	517,208
2024	200,995	325,903	526,898
2025 - 2029	1,168,215	1,465,632	2,633,847
2030 - 2034	1,492,205	1,134,028	2,626,233
2035 - 2039	1,843,045	725,036	2,568,081
2040 - 2044	1,212,790	294,270	1,507,060
2045 - 2049	564,225	69,721	633,946
Total	<u>\$ 7,140,000</u>	<u>\$ 5,397,675</u>	<u>\$ 12,537,675</u>

e. Build America Bonds (BABs)

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 BABs under the American Recovery and Reinvestment Act of 2009. LAWA receives a direct federal subsidy payment in the amount equal to 35% of the interest expense on the BABs. The automatic cuts in spending (referred to as "sequestration") for the federal fiscal years ending September 30, 2019 and September 30, 2018 reduced the subsidy. The interest subsidy on the BABs was \$7.3 million in fiscal year 2019 and \$7.5 million in fiscal year 2018. The BABs rates were 6.2% and 6.6% for fiscal years 2019 and 2018, respectively. The subsidy is recorded as a non-capital grant, a component of other nonoperating revenue.

f. Other Significant Obligations

Aside from LAWA's debt obligations incurred under the Master Senior and Subordinate Indentures, LAWA's other significant obligations include:

Commercial Paper Reimbursement Agreements

The commercial paper reimbursement agreements contain a provision that upon the occurrence of an event of default by LAX, the applicable letter of credit (LOC) bank can, at its option, declare all obligations of LAX under the LOC to be immediately due and payable.

APM Agreement

The APM Agreement contains (1) a provision that if LAX terminates the agreement for any of the allowable reasons under the agreement, LAX will owe the APM Developer various amounts, as applicable, including amounts associated with equity and debt contributions made or arranged by the APM Developer and various other breakage costs, with such amounts being payable by LAX within 120 days of the termination date of the agreement, and (2) a provision that if the APM Developer terminates the agreement for any of the allowable reasons under the agreement, LAX will owe the APM Developer various amounts, as applicable, including amounts associated with equity and debt contributions made or arranged by the APM Developer and various other breakage costs, with such amounts being payable by LAX within 120 days of the termination date of the agreement.

ConRAC Agreement

The ConRAC Agreement contains (1) a provision that if LAX terminates the agreement for any of the allowable reasons under the agreement, LAX will owe the ConRAC Developer various amounts, as applicable, including amounts associated with equity and debt contributions made or arranged by the ConRAC Developer and various other breakage costs, with such amounts being payable by LAX within 120 days of the termination date of the agreement, and (2) a provision that if the ConRAC Developer terminates the agreement for any of the allowable reasons under the agreement, LAX will owe the ConRAC Developer various amounts, as applicable, including amounts associated with equity and debt contributions made or arranged by the ConRAC Developer and various other breakage costs, with such amounts being payable by LAX within 120 days of the termination date of the agreement.



Notes to the Financial Statements

June 30, 2019 and 2018

(continued)

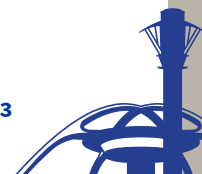
7. Changes in Long-Term Liabilities

LAWA had the following long-term liabilities activities for fiscal year ended June 30, 2019 (amounts in thousands):

	Balance at July 1, 2018	Additions	Reductions	Balance at June 30, 2019	Current Portion
Revenue bonds	\$ 5,635,515	\$ 1,874,850	\$ (370,365)	\$ 7,140,000	\$ 143,240
Unamortized premium	445,581	293,227	(36,031)	702,777	—
Net revenue bonds	6,081,096	2,168,077	(406,396)	7,842,777	143,240
Accrued employee benefits	49,038	5,009	(4,365)	49,682	5,465
Estimated claims payable	98,552	6,860	(10,525)	94,887	9,326
Net pension liability	723,062	63,703	—	786,765	—
Net OPEB liability	77,566	1,471	—	79,037	—
Other long-term liabilities	885	1	—	886	—
Total	<u>\$ 7,030,199</u>	<u>\$ 2,245,121</u>	<u>\$ (421,286)</u>	<u>\$ 8,854,034</u>	<u>\$ 158,031</u>

LAWA had the following long-term liabilities activities for fiscal year ended June 30, 2018 (amounts in thousands):

	Balance at			Balance at		Current
	July 1, 2017	Additions	Reductions	June 30, 2018		Portion
Revenue bonds	\$ 5,006,095	\$ 1,002,315	\$ (372,895)	\$ 5,635,515	\$	120,830
Unamortized premium	320,461	146,064	(20,944)	445,581		—
Unamortized discount	(3,080)	—	3,080	—		—
Net revenue bonds	5,323,476	1,148,379	(390,759)	6,081,096		120,830
Accrued employee benefits	47,844	6,888	(5,694)	49,038		4,365
Estimated claims payable	79,659	27,170	(8,277)	98,552		10,525
Liability for environmental/ hazardous materials cleanup	7,500	—	(7,500)	—		—
Net pension liability	774,356	—	(51,294)	723,062		—
Net OPEB liability	—	91,089	(13,523)	77,566		—
Other long-term liabilities	886	—	(1)	885		—
Total	<u>\$ 6,233,721</u>	<u>\$ 1,273,526</u>	<u>\$ (477,048)</u>	<u>\$ 7,030,199</u>	<u>\$</u>	<u>135,720</u>



Notes to the Financial Statements

June 30, 2019 and 2018

(continued)

8. Leases and Agreements

a. Operating Leases and Agreements As Lessor

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

The agreements provide for a concession fee equal to the greater of a minimum annual guarantee (MAG) or a percentage of gross revenues. Certain agreements are subject to escalation of the MAG. For the fiscal years ended June 30, 2019 and 2018, revenues from such agreements were \$380.2 million and \$356.9 million, respectively. The respective amounts over MAG were \$110.7 million and \$96.9 million. Minimum future rents or payments under these agreements over the next five years, assuming no material changes from concessionaires' current levels of gross sales, and that current agreements are carried to contractual termination, are as follows (amounts in thousands):

Fiscal year ending	Amount
2020	\$ 194,475
2021	151,164
2022	138,721
2023	132,308
2024	95,586
Total	<u>\$ 712,254</u>

On March 1, 2012, LAWA and URW, LLC (URW) (formerly Westfield Airports, LLC.) entered into a Terminal Commercial Management Concession Agreement (3-1-12 Agreement) for URW to develop, lease, and manage retail, food and beverage and certain passenger services in specified locations at the Tom Bradley International Terminal (TBIT) and Terminal 2 at LAX for a term of 17 years consisting of two-year development period and fifteen-year operational period. Since then, the Terminal 2 portion has been amended with an expiration date the same as the TBIT portion, which is no later than January 31, 2032. URW will select concessionaires subject to LAWA approval. Concession agreements awarded by URW shall have a term no longer than ten years. The agreement requires URW 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 URW 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 LAWA 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 URW entered into another Terminal Commercial Management Concession Agreement (6-22-12 Agreement) for URW to develop, lease, and manage retail, food and beverage and certain passenger services in specified locations at the Terminals 1, 3, and 6 at LAX. The term of this agreement is 17 years consisting of two-year development period and fifteen-year operational period. Under this agreement, the expiration dates of Terminal 1, 3, and 6 are June 30, 2032, June 30, 2029, and September 30, 2030, respectively. URW will select concessionaires subject to LAWA approval. Concession agreements awarded by URW shall have a term no longer than ten years. The agreement requires URW 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 URW 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 LAWA. For any year in which the number of enplaned passengers in Terminals 1, 3, and 6 is (a) less than the 2011 passenger enplanements, or (b) less than 90% of the prior year's passenger enplanements in these terminals, an additional adjustment to the MAG is calculated on a retroactive basis beginning January 1, 2014.

On November 13, 2017, LAWA and URW entered into an amendment related to TBIT and Terminal 2 for additional concession space of up to 30,000 square feet in the Midfield Satellite Concourse (MSC). The construction of the new concourse started in February 2017 and is expected to be completed by 2021.

Minimum future rents under these two agreements with URW over the next five years assuming no material changes from concessionaires' current levels of gross sales are estimated as follows (amounts in thousands):

Fiscal year ending	Amount
2020	\$ 29,898
2021	30,646
2022	31,412
2023	32,197
2024	33,409
Total	<u>\$ 157,562</u>



Notes to the Financial Statements

June 30, 2019 and 2018

(continued)

LAWA 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 2019 and 2024. Certain airlines and consortium of airlines at LAX also pay maintenance and operating charges (M&O Charges) that include direct and indirect costs allocated to all passenger terminal buildings, other related and appurtenant facilities, and associated land. Rates for M&O Charges are set each calendar year based on the actual audited M&O Charges for the prior fiscal year ending June 30. The land and terminal lease agreements are accounted for as operating leases. For the fiscal years ended June 30, 2019 and 2018, revenues from these leases were \$720.2 million and \$655.3 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 estimated future rents are as follows (amounts in thousands):

Fiscal year ending	Amount
2020	\$ 533,246
2021	512,204
2022	440,839
2023	391,871
2024	355,084
Total	<u>\$ 2,233,244</u>

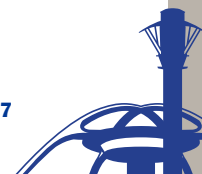
The carrying cost and the related accumulated depreciation of property held for operating leases as of June 30, 2019 and 2018 are as follows (amounts in thousands):

	2019	2018
Buildings and facilities	\$ 6,208,199	\$ 5,601,330
Accumulated depreciation	(1,278,883)	(1,050,231)
Net	4,929,316	4,551,099
Land	626,715	626,715
Total	<u>\$ 5,556,031</u>	<u>\$ 5,177,814</u>

b. Lease Obligations

LAWA leases office spaces under operating lease agreements that expire through 2032. Lease payments for the fiscal years ended June 30, 2019 and 2018 were \$7.7 million and \$7.3 million, respectively. Future minimum lease payments under the agreements are as follows (amounts in thousands):

<u>Fiscal year(s) ending</u>	<u>Amount</u>
2020	\$ 6,039
2021	3,573
2022	3,560
2023	3,560
2024	3,560
2025-2029	13,869
2030-2034	5,704
Total	<u>\$ 39,865</u>



Notes to the Financial Statements

June 30, 2019 and 2018

(continued)

9. Passenger Facility Charges

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 LAWA. PFCs are recorded as nonoperating revenue and presented as restricted assets in the financial statements. The current PFCs at LAX is \$4.50 per enplaned passenger. PFCs collection authorities approved by FAA are \$4.3 billion and \$4.2 billion at LAX as of June 30, 2019 and 2018, respectively. LAWA has received approval from the FAA to collect and use PFCs to pay for debt service on bonds issued to finance the TBIT Renovations, Bradley West projects and Terminal 6 improvements. Board authorized amounts of \$147.7 million and \$136.0 million were used for debt service in fiscal years 2019 and 2018, respectively.

The following is a summary of LAX projects approved by FAA as of June 30, 2019 and 2018 (amounts in thousands):

	2019	2018
Terminal development	\$ 3,141,679	\$ 3,141,679
Noise mitigation	1,042,079	953,745
Airfield development and equipment	83,620	83,620
Total	<u>\$ 4,267,378</u>	<u>\$ 4,179,044</u>

LAX's PFCs collected and the related interest earnings through June 30, 2019 and 2018 were as follows (amounts in thousands):

	2019	2018
Amount collected	\$ 2,626,905	\$ 2,453,805
Interest earnings	220,660	214,429
Total	<u>\$ 2,847,565</u>	<u>\$ 2,668,234</u>

LAX's cumulative expenditures on approved PFCs projects totaled \$2.5 billion and \$2.3 billion for fiscal years 2019 and 2018, respectively.

10. Customer Facility Charges

California CFC Legislation permits LAWA to require the collection by rental car companies of CFCs at a rate charged on a per-day basis up to \$9.00 per day (for up to 5 days), and CFCs collected by the rental car companies on behalf of LAWA are permitted under the California CFC Legislation to finance, design and construct the ConRAC; to finance, design, construct and operate the APM System, as well as acquiring vehicles for use in that system; and to finance, design and construct terminal modifications to accommodate the common-use transportation system.

In November 2001, in anticipation of constructing a consolidated rental car facility (ConRAC) identified in LAX's master plan, the Board approved collection of CFCs of \$10.00 per rental contract and began collections in August 2007. On October 5, 2017, the Board authorized collection of an updated CFC pursuant to the California CFC Legislation to fund costs of a ConRAC and its share of a common-use transportation system (CTS) at LAX. The Board authorized collection of CFCs of \$7.50 per day for the first five days of each car rental contract, effective January 1, 2018, by rental car companies serving LAX. On June 20, 2019, the Board authorized collection of \$9.00 per day for the first five days of each car rental contract, effective September 1, 2019, by rental car companies serving LAX.

CFCs are recorded as nonoperating revenue and presented as restricted assets in the financial statements. CFCs collected and the related interest earnings through June 30, 2019 and 2018 were as follows (amounts in thousands):

	2019	2018
Amount collected	\$ 402,676	\$ 322,428
Interest earnings	27,689	21,348
Total	<u>\$ 430,365</u>	<u>\$ 343,776</u>

LAX's cumulative expenditures on approved CFCs projects totaled \$3.0 million for fiscal years 2019 and 2018.



Notes to the Financial Statements

June 30, 2019 and 2018

(continued)

11. Capital Grant Contributions

Contributed capital related to government grants and other aid totaled \$36.3 million and \$55.9 million in fiscal years 2019 and 2018, respectively. Capital grant funds are primarily provided by the FAA Airport Improvement Program and Transportation Security Administration.

12. Related Party Transactions

The City provides services to LAWA such as construction and building inspection, fire and paramedic, police, water and power, and certain administrative services. The costs for these services for fiscal years ended June 30, 2019 and 2018 were \$126.2 million and \$122.2 million, respectively.

LAWA collects parking taxes at LAX on behalf of the City's General Fund. The parking taxes collected and remitted during each of fiscal years 2019 and 2018 were \$11.5 million and \$10.8 million, respectively.

In December 2009, two cases were settled that related to FAA's audit findings of improper payments by LAWA to the City General Fund. The cases involved compliance review by FAA of the transfer of LAWA revenue funds to the City General Fund for the implementation of a joint strategic international marketing alliance, and the legality of the transfer of \$43.0 million out of approximately \$58.0 million representing condemnation proceeds received for certain City-owned property taken by the State for use in the construction of the Century Freeway. The settlement calls for a series of semi-annual payments over ten years through June 30, 2019 by the City General Fund to LAWA totaling \$17.7 million plus 3.0% 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 LAWA. The balance of \$2.9 million, reported as receivable within one year under unrestricted current assets as of June 30, 2018, was paid off in fiscal year 2019.

13. Pension Plan

I. *Los Angeles City Employees' Retirement System*

a. General Information

Plan Description

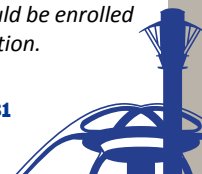
All full-time employees of LAWA are eligible to participate in the Los Angeles City Employees' Retirement System (LACERS), a single-employer defined benefit pension plan (the Pension Plan). LACERS serves as a common investment and administrative agent for City departments and agencies that participate in LACERS. LACERS is under the exclusive management and control of its Board of Administration whose authority is granted by statutes in Article XVI, Section 17 of the California State Constitution, and Article XI of the Los Angeles City Charter. Benefits and benefit changes are established by ordinance and approved by City Council and the Mayor. All employees who became members of LACERS before July 1, 2013 are designated as Tier 1 members. On or after July 1, 2013, new employees became members of LACERS Tier 2. On July 9, 2015, Tier 2 was rescinded and a new tier of benefits was created. As a result, Ordinance No. 184134 was adopted on January 12, 2016, where all active Tier 2 members were transferred to Tier 1 as of February 21, 2016. Thereafter, new members became Tier 3 members of LACERS. Membership to Tier 1 is now closed to new entrants.⁷

LACERS' publicly issued financial report, which covers both pension benefits and other postemployment benefits, 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 or LACERS' website <http://lacers.org/aboutlacers/reports/index.html>. 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 on a cost-sharing basis. As of the report date of LAWA's financial statements, LACERS' financial statements and the Pension Plan's actuarial valuation study for fiscal year 2019 are not yet available.

Benefits Provided

LACERS provides for service and disability retirement benefits, as well as death benefits. Members of LACERS have a vested right to their own contributions and accumulated interest posted to their accounts. Generally, after five years of employment, members are eligible for future retirement benefits, which increase with length of service. If a member who has five or more years of continuous City service terminates employment, the member has the option of receiving retirement benefits when eligible or having his or her contributions and accumulated interest refunded. Benefits are based upon age, length of service, and compensation. LACERS Tier 1 members are eligible to retire with unreduced benefits if they have 10 or more years of continuous City service at age 60, or at least 30 years of City service at age 55, or with any years of City service at age 70 or older. Members also are eligible to retire with age-based reduced benefits after reaching age 55 with 10 or more years of continuous City service, or at any age with 30 or more years of City service. Full (unreduced) retirement benefits are determined as 2.16% of the member's average monthly pensionable salary during the member's last 12 months of service, or during any other 12 consecutive months of service designated by the member, multiplied by the member's years of service credit. Members

⁷ During fiscal year 2018, LACERS became closed to Airport Peace Officers (APO) and all new APO hired after January 6, 2018 would be enrolled in City of Los Angeles Fire and Police Pensions (LAFPP) Tier 6, rather than in LACERS. Please refer to Note 13.II for more information.



Notes to the Financial Statements

June 30, 2019 and 2018

(continued)

with five years of continuous service are eligible for disability retirement, and the benefits are determined as 1/70 of the member's final average monthly salary for each year of service or 1/3 of the member's final average monthly salary, if greater.

Upon an active member's death, a refund of the member's contributions and, depending on the member's years of service, a limited pension benefit equal to 50% of monthly salary will be paid up to 12 months. Or, if such member was eligible to retire, survivor benefits may be paid to an eligible spouse or qualified domestic partner. Upon a retired member's death, a \$2,500 funeral allowance is paid, and modified or unmodified allowance is continued to an eligible spouse or qualified domestic partner.

LACERS Tier 3 members are eligible to retire with unreduced benefits if they have at least 10 or more years of City service at age 60 or at least 30 years of City service at age 55, provide that five years of service must be continuous. Full unreduced retirement benefits at age 60 with 10 years of City service are determined with a 1.5% retirement factor. Members also are eligible to retire with an age-based reduced benefits before reaching age 60 with 30 or more years of City service with a retirement factor of 2.0%. If the member is age 55 or older with 30 years of service at the time of retirement, his or her retirement allowance will not be subject to reduction on account of age. However, if the member is younger than age 55 with 30 years of service at the time of retirement, his or her retirement allowance will be reduced by the applicable early retirement reduction factor. In addition, LACERS also provides Tier 3 members an enhanced retirement benefits with a 2.0% retirement factor if the member retires at age 63 with at least 10 years of service; or a retirement factor of 2.1% if the member retires at age 63 with 30 years of service. Tier 3 retirement benefits are determined by multiplying the member's retirement factor (1.5% - 2.1%), with the member's last 36 months of final average compensation or any other 36 consecutive months designated by the member, and by the member's years of service credit.

Tier 3 members with five years of continuous service are eligible for disability retirement, and the benefits are determined as 1/70 of the member's final average monthly salary for each year of service or 1/3 of the member's final average monthly salary, if greater. Upon an active member's death, a refund of the member's contributions and, depending on the member's years of service, a limited pension benefit equal to 50% of monthly salary may be paid up to 12 months. Or, if such member was eligible to retire, survivor benefits may be paid to an eligible spouse or qualified domestic partner. Upon a retired member's death, a \$2,500 funeral allowance is paid, and a modified or unmodified allowance is continued to an eligible spouse or qualified domestic partner.

Retirement allowances are indexed annually for inflation. The LACERS Board of Administration has authority to determine the average annual percentage change in the Consumer Price Index (CPI) for the purpose of providing a cost-of-living adjustment (COLA) to the benefits of eligible members and beneficiaries in July. The adjustment is based on the prior year's change of Los Angeles area CPI subject to a maximum of 3.0% for Tier 1 members or 2.0% for Tier 3 members. The excess over the maximum will be banked for Tier 1 members only.



Membership

The components of LACERS membership in both tiers (Tier 1 and Tier 3) for the measurement dates as of June 30, 2018 and June 30, 2017, respectively, were as follows: (Note: information for fiscal year 2019 is not yet available as of this report issue date.)

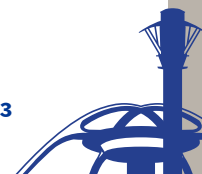
	2018	2017
Active		
Vested	18,460	19,188
Non-vested	7,582	6,269
	<u>26,042</u>	<u>25,457</u>
Inactive		
Non-vested	5,158	5,078
Terminated entitled to benefits, not yet receiving benefits	2,870	2,350
Retired	19,379	18,805
Total	<u>53,449</u>	<u>51,690</u>

Member Contributions

The current contribution rate for most of the Tier 1 members is 11% of their pensionable salary including a 1% increase in the member contribution rate pursuant to the 2009 Early Retirement Incentive Program (ERIP) ordinance for all employees for a period of 15 years (or until the ERIP cost obligation is fully recovered, whichever comes first); and 4% additional contributions in exchange for a vested right to future increases in the maximum retiree medical subsidy pursuant to a 2011 City Council ordinance. As of June 30, 2019 and June 30, 2018, all active Tier 1 members are now paying additional contributions, and are not subject to the retiree medical subsidy cap. The contribution rate for Tier 3 members is 11% of their pensionable salary including 4% of additional contributions in exchange for a vested right to future increases in the maximum retiree medical subsidy. Unlike Tier 1, Tier 3 members do not pay the ERIP contribution; therefore, Tier 3 members' contribution rate will not drop down when Tier 1 members cease to pay the 1% ERIP contribution.

Employer Contributions

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 22.21% and 22.88% of compensation as of June 30, 2018 (based on the June 30, 2016 valuation) and June 30, 2017 (based on the June 30, 2015 valuation), respectively. (Note: information for fiscal year 2019 is not yet available as of this report issue date).



Notes to the Financial Statements

June 30, 2019 and 2018

(continued)

The total City contributions to LACERS of \$719.2 million and \$686.6 million for the years ended June 30, 2019 and June 30, 2018, respectively, consisted of the following (amounts in thousands):

	2019	2018
Required contributions - Retirement Plan	\$ 478,717	\$ 450,195
Family death benefit Plan	110	143
Total City contributions	478,827	450,338
Member contributions - Retirement Plan	240,357	236,222
Total	\$ 719,184	\$ 686,560

The required City contribution of \$478.7 million was equal to 100% of the actuarially determined employer contribution. Member contributions of \$240.4 million were made toward the retirement and voluntary family death benefits for fiscal year 2019.

The required City contribution of \$450.2 million was equal to 100% of the actuarially determined employer contribution. Member contributions of \$236.2 million were made toward the retirement and voluntary family death benefits for fiscal year 2018.

LAWA's Contributions to the Pension Plan

LAWA's contributions to the Pension Plan for the year ended June 30 (amounts in thousands):

	2019	2018
LAWA's required contributions to the Pension Plan	\$ 65,746	\$ 61,920

The LAWA contributions made to the Pension Plan under the required contribution category in the amounts of \$65.7 million and \$61.9 million for fiscal years 2019 and 2018, respectively, were equal to 100% of the actuarially determined contribution of the employer.

b. Net Pension Liability, Pension Expenses and Deferred Outflows/Inflows of Resources Related to the Pension Plan

LACERS' Net Pension Liability (NPL) for fiscal year 2019 was measured as of June 30, 2018 and determined based upon the Plan Fiduciary Net Position (FNP) and Total Pension Liability (TPL) from actuarial valuation as of June 30, 2018.

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.

As of the reporting date June 30, 2019 (measurement date of June 30, 2018), LAWA reported its proportionate shares of TPL, FNP and NPL⁸ as follows (amounts in thousands):

	Reporting date 6/30/19 Measurement date 6/30/18
LAWA's proportionate share:	
Total Pension Liability	\$ 2,743,177
Plan Fiduciary Net Position	(1,957,905)
Net Pension Liability	<u>\$ 785,272</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	71.37%

LAWA's NPL was measured as the proportionate share of the NPL based on the employer contributions made by LAWA during fiscal year 2018. The NPL was measured as of June 30, 2018 and determined based upon the Pension Plan's FNP (plan assets) and TPL from actuarial valuations as of June 30, 2018.

⁸ On March 28, 2017, the City Council adopted Ordinance No. 184853 to amend the Los Angeles Administrative Code authorizing certain sworn Airport Peace Officers (APO) at LACERS to elect to transfer to Tier 6 of LAFPP Plan or to remain in LACERS Plan. All new APO hired after January 7, 2018 would be enrolled in LAFPP Tier 6. The Governmental Accounting Standards (GAS) 68 Actuarial Valuation Report based on June 30, 2017 Measurement Date for Employer Reporting as of June 30, 2018 did not include any additional liabilities associated with the enhanced benefits for the APO who would elect to remain in LACERS since the elections had not yet been completed at the time the actuary prepared the GAS 68 Actuarial Valuation Report. Similarly, the actuary did not include any decrease in liabilities associated with APO members transferring to LAFPP in the GAS 67 Actuarial Valuation Report, for the same reason. Based on discussions with LACERS, the actuary have been directed to continue excluding any increases or decreases in liabilities associated with any APO benefit enhancements at LACERS and APO transfers to LAFPP for the June 30, 2017 (measurement date) GAS 68 Valuation Report. For more information on the transfer to LAFPP, please refer to Note 13, Part II, City of Los Angeles Fire and Police Pensions, of the notes to the financial statements.



Notes to the Financial Statements

June 30, 2019 and 2018

(continued)

Change in LAWA's proportionate share of the NPL as of June 30, 2019 (measurement date June 30, 2018) and 2018 (measurement date June 30, 2017) was as follows (amounts in thousands):

	NPL	Proportion
Proportion - Reporting date June 30, 2019 (measurement date June 30, 2018)	\$ 785,272	13.75%
Proportion - Reporting date June 30, 2018 (measurement date June 30, 2017)	\$ 723,062	13.70%
Change - Increase	\$ 62,210	0.05%

For the year ended June 30, 2019, LAWA recognized pension expense of \$81.6 million. At June 30, 2019, LAWA 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	\$ 65,746	\$ —
Differences between expected and actual experience	—	37,390
Changes of assumptions	94,487	—
Net difference between projected and actual earnings on pension plan investments	16,051	17,964
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,417	9,245
Total	<u>\$ 180,701</u>	<u>\$ 64,599</u>

\$65.7 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 ending June 30, 2020. 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
2020	\$ 31,939
2021	10,110
2022	(5,810)
2023	10,035
2024	4,082

Actuarial Assumptions

The total pension liability as of June 30, 2019 was determined by actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Date of Experience Study	June 30, 2017 (July 1, 2014 through June 30, 2017)
Long-Term Expected Rate of Return	7.25%
Inflation	3.00%
Projected Salary Increases	Ranges from 3.90% to 10.00% based on years of service, including inflation
Mortality Table for Retirees and Beneficiaries	Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table projected generationally with the two-dimensional mortality improvement scale MP-2017.
Mortality Table for Disabled Retirees	Headcount-Weighted RP-2014 Disabled Retiree Mortality Table projected generationally with the two-dimensional mortality improvement scale MP-2017.
Marital Status	76% of male and 50% of female are assumed to be married or have a qualified domestic partner.
Spouse Age Difference	Male retirees are assumed to be three years older than their female spouses. Female retirees are assumed to be two years younger than their male spouses.



Notes to the Financial Statements

June 30, 2019 and 2018

(continued)

Discount Rate

The discount rates used to measure the total pension liability was 7.25% as of June 30, 2019. 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 Pension 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 June 30, 2019.

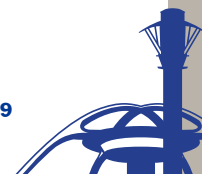
The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These returns are combined to 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	Arithmetic Long-Term Expected Real Rate of Return
U.S. Large Cap Equity	14.00%	5.61%
U.S. Small Cap Equity	5.00	6.10
Developed International Large Cap Equity	17.00	6.70
Developed International Small Cap Equity	3.00	7.10
Emerging Market Equity	7.00	8.90
Core Bonds	13.75	1.00
High Yield Bonds	2.00	3.10
Bank Loans	2.00	3.00
Emerging Market Debt	4.50	3.40
Private Debt	3.75	5.50
Private Real Estate	7.00	4.70
Real Estate Investment Trust	0.50	5.90
Treasury Inflation Protected Securities	3.50	1.00
Commodities	1.00	3.40
Public Real Assets	1.00	4.80
Private Equity	14.00	9.00
Cash	1.00	0.00
Total	100.00%	

Sensitivity of LAWA's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents LAWA's proportionate share of the NPL as of June 30, 2019, calculated using the discount rate of 7.25%, as well as what LAWA's proportionate share of NPL would be if it were calculated using a discount rate that is 1 percentage point lower (6.25%) or 1 percentage point higher (8.25%) than the current rate (amounts in thousands):

	June 30, 2019
1% decrease	6.25%
Net Pension Liability	\$1,162,209
Current discount rate	7.25%
Net Pension Liability	\$785,272
1% increase	8.25%
Net Pension Liability	\$474,656



Notes to the Financial Statements

June 30, 2019 and 2018

(continued)

II. *City of Los Angeles Fire and Police Pensions*

a. General Information

In November 2016, voters approved a ballot measure that allowed for approximately 500 sworn Airport Peace Officers (APO) to opt-out of the LACERS Plan and transfer to the City of Los Angeles Fire and Police Pensions (LAFPP) as Tier 6 members. On March 28, 2017, the City Council adopted Ordinance No. 184853 to amend the Los Angeles Administrative Code authorizing certain sworn APO at LACERS an option to transfer to Tier 6 of LAFPP Plan or to remain in the LACERS Plan. All new APO hired after January 7, 2018 would be enrolled in LAFPP Tier 6. Under the ordinance, APO members who elect to remain in LACERS would be Tier 1 members, and be eligible for enhanced benefits including more favorable disability benefits, death benefits, and a higher retirement factor of 2.3% (versus 2.16% for all other Tier 1 members), contingent upon a mandatory additional contribution payment of \$5,700 per remaining member to LACERS. The enhanced benefits was effective from January 7, 2018.

LACERS transferred \$3.0 million of allocated discounted APO assets to LAFPP in January 2018 for fiscal year 2018. Out of the \$3.0 million allocated discounted APO assets, \$2.5 million relates to LACERS pension assets, and \$0.5 million relates to LACERS health assets.

Plan Description

LAFPP operates under the City of Los Angeles Charter and Administrative Code provisions as a single-employer defined benefit pension plan covering all full-time active sworn firefighters, police officers, certain LAWA APO and Harbor Port Police officers of the City of Los Angeles. LAFPP is composed of six tiers.

Tier 6 is the current tier for all LAWA APO hired on or after January 7, 2018. Under provisions of the City Charter, the City Administrative Code and the State Constitution, the LAFPP Board has the responsibility to administer the plan. Changes to the benefit terms require approval by the City Council.

LAFPP issues a publicly available financial report that may be obtained by writing or calling: Los Angeles Fire and Police Pension System, 360 E. Second Street, Suite 400, Los Angeles, CA 90012, (213) 978-4545 or LAFPP's website <https://www.lafpp.com/about/financial-reports>. As of the completion date of LAWA's financial statements, the LAFPP's financial statements and the plan's actuarial valuation study for fiscal year 2019 are not yet available.

Benefits Provided by the LAFPP Plan

Information about benefits for Tiers 1 through 5 members is available in the separately issued LAFPP financial report. Tier 6 members must be at least age 50, with 20 or more years of service, to be entitled to a service pension. Annual pension benefits are equal to 40% of their two-year average compensation, increasing for each year of service over 20 years, to a maximum of 90% for 33 years. Tier 6 provides for postemployment COLAs based on the CPI to a maximum of 3% per year. However, any increase in the CPI greater 3% per year is placed into a COLA bank for use in years in which the increase in CPI is less than 3%. The City Council may also grant a discretionary ad hoc COLA no more than every three years, subject to certain conditions. Members who terminate their employment are entitled to a refund of their contributions plus LAFPP Board-approved interest if they do not qualify for a pension or if they waive their pension entitlements.

Member Contributions to the LAFPP Plan

The Board of Administration/Commissioners of LAFPP establishes and may amend the contribution requirements of members and the City. The City's annual contribution for the LAFPP plan is actuarially determined and represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize unfunded actuarial liabilities over a period not to exceed thirty years. The City Administrative Code and related ordinance define member contributions.

All members are required to make contributions to LAFPP regardless of tier in which they are included. However, members are exempt from making contributions when their continuous service exceeds 30 years for Tier 1 through 4, and 33 years for Tier 5 and Tier 6. The average member contribution rates for fiscal year 2018 (based on the June 30, 2016 valuation) was 9.99% of compensation paid biweekly. The average member contribution rates for fiscal year 2017 (based on the June 30, 2015 valuation) was 9.23% of compensation paid biweekly.

LAWA's Contributions to the LAFPP Plan

In fiscal year 2019, LAWA's contribution rate for the APO that are members of the LAFPP Tier 6 plan, as determined by the actuary was 27.54% of covered payroll. Based on LAWA's reported covered payroll of \$4.9 million for Tier 6, LAWA's pro rata share of the combined actuarially determined contribution for pension and postemployment healthcare benefits, and actual contribution made to LAFPP was \$1.3 million. In fiscal year 2018, LAWA's contribution rate for the APO that are members of the LAFPP Tier 6 plan, as determined by the actuary was 23.54% of covered payroll. Based on LAWA's reported covered payroll of \$1.9 million for Tier 6, LAWA's pro rata share of the combined actuarially determined contribution for pension and postemployment healthcare benefits, and actual contribution made to LAFPP was \$0.4 million for the period between January and June 2018.

b. Net Pension Liability, Pension Expenses and Deferred Outflows/Inflows of Resources Related to the LAFPP Plan

At June 30, 2019, LAWA recognized its proportionate shares of NPL of \$1.5 million, and a pension credit (negative pension expense) of \$0.3 million for the LAFPP plan due to timing differences between recognizing liability versus contributions. LAWA also reported deferred outflows of resources and deferred inflows of resources related to pensions for the LAFPP plan from the following resources (amounts in thousands):

	Deferred outflows of resources	Deferred inflows of resources
Pension contributions subsequent to measurement date	\$ 880	\$ —
Differences between expected and actual experience	2,110	—
Net difference between projected and actual earnings on pension plan investments	—	37
Total	\$ 2,990	\$ 37

\$0.9 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 ending June 30, 2020.



Notes to the Financial Statements

June 30, 2019 and 2018

(continued)

14. Other Postemployment Benefit Plan (OPEB)

I. *Los Angeles City Employees' Retirement System*

a. General Information

Plan Description

Los Angeles City Employees' Retirement System (LACERS) provides other postemployment health care benefits under a Postemployment Health Care Plan to eligible retirees and their eligible spouses/domestic partners who participate in the Pension Plan. Benefits and benefit changes are established by ordinance and approved by the City Council and the Mayor. Under Division 4, Chapter 11 of the City's Administrative Code, certain retired employees are eligible for a health insurance premium subsidy. This subsidy is to be funded entirely by the City. These benefits may also extend to the coverage of other eligible dependent(s). To be eligible for health care benefits, member must: 1) be at least age 55; 2) had at least 10 whole 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). Retirees and surviving spouses/domestic partners can choose from the health plans that are available, which include medical, dental, and vision benefits, or participate in the MPRP if he/she resides in an area not covered by the available medical plans. Retirees and surviving spouses/domestic partners receive medical subsidies based on service years and service credit. The dental subsidies are provided to the retirees only, based on service years and service credit.

LACERS' publicly issued financial report, which covers both pension benefits and other postemployment benefits, 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 or LACERS' website <http://lacers.org/aboutlacers/reports/index.html>. As a City department, LAWA shares in the risks and costs with the City. LAWA presents the related OPEB benefit disclosures as a participant in a single employer plan of the City on a cost-sharing basis. As of the report date of LAWA's financial statements, LACERS' financial statements and the OPEB's actuarial valuation study for fiscal year 2019 are not yet available.

Benefits Provided

The maximum subsidies are set annually by the LACERS Board of Administration. Both Tier 1 and Tier 3 members will be eligible for 40% of maximum medical plan premium subsidy for 1 – 10 whole years of service credit, and the eligible members earn 4% per year of service credit for their annual medical subsidy accrual after 10 years of service. Eligible spouses/domestic partners of Pension Plan members are entitled to LACERS' postemployment health care benefits after the retired member's death. During fiscal year 2011, the City adopted an ordinance (Subsidy Cap Ordinance) to limit 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 made additional contributions are exempted from the subsidy cap 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. As of June 30, 2018, all active Tier 1 and Tier 3 Members were making the additional contributions, and therefore will not be subject to the medical subsidy cap.

Membership

As of the measurement dates June 30, 2018 and June 30, 2017, the components of membership, excluding non-participating retirees and surviving spouses of LACERS postemployment healthcare benefits were as follows: (Note: information for fiscal year 2019 is not yet available as of this report issue date.)

	2018	2017
Retirement members/Surviving spouses ⁽¹⁾	15,144	14,652
Vested terminated members entitled to, but not yet receiving benefits ⁽²⁾	1,401	1,280
Active members	26,042	25,457
Total	42,587	41,389

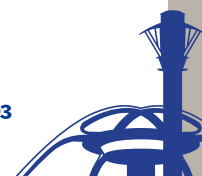
(1) Total participants including married dependents and dependent children receiving benefits were 20,288 and 19,539 as of June 30, 2018 and 2017, respectively.

(2) Including terminated members due a refund of employee contributions.

Employer Contributions

The Los Angeles City Charter Sections 1158 and 1160 require periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate the required assets to pay benefits when due. The required contribution rate for the Postemployment Health Care Plan for the fiscal year ended June 30, 2018, was 4.92% of covered payroll, determined by the June 30, 2016 actuarial valuation. The required contribution rate for the Postemployment Health Care Plan for the fiscal year ended June 30, 2017, was 4.74% of covered payroll, determined by the June 30, 2015 actuarial valuation. (Note: information for fiscal year 2019 is not yet available as of this report issue date.)

LACERS uses the Entry Age cost method to determine the required annual contribution amount for the Postemployment Health Plan. The required annual contribution amount is composed of two components: normal cost which is the cost of the portion of the benefit that is allocated to a given year, and the payment to amortize the unfunded actuarial accrued liability (UAAL) which is the difference between LACERS actuarial liabilities and actuarial assets. The components of the UAAL are amortized as a level percent of pay. Based on LACERS funding policy, increases or decreases in the UAAL due to assumption changes are amortized over 20 years, except that health cost trend and premium assumption changes are amortized over 15 years. Plan changes and experience gains and losses are amortized over 15 years, subject to adjustments to comply with GASB requirements on maximum amortization period of 30 years for all layers combined. The amortization periods are closed as each layer of the UAAL is systematically amortized over a fixed period.



Notes to the Financial Statements

June 30, 2019 and 2018

(continued)

The total OPEB contributions to LACERS for the years ended June 30, 2018 and 2017 was \$100.9 million and \$97.5 million, respectively, representing 100% of the actuarially determined contribution of the employer as defined by GASB Statement No. 74⁹. (Note: information for fiscal year 2019 is not yet available as of this report issue date.)

LAWA's Contributions to the Postemployment Health Care Plan

LAWA's contributions to the Postemployment Health Care Plan for the years ended June 30 (amounts in thousands):

	2019	2018
LAWA's required contributions to the Postemployment Health Care Plan	\$ 14,434	\$ 13,810

LAWA's contributions made for the Postemployment Health Care Plan, in the amounts of \$14.4 million and \$13.8 million for fiscal years 2019 and 2018, respectively, represent 100% of the ADC as defined by GASB Statement No. 74. The Postemployment Health Care Plan is administered through a trust that meets the criteria of GASB Statement No. 75¹⁰.

⁹ GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, issued in June 2015

¹⁰ GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, issued in June 2015

b. Net OPEB Liability, OPEB Expenses and Deferred Outflows/Inflows of Resources Related to the OPEB Plan

LACERS' Net OPEB Liability (NOL) for fiscal year 2019 was measured as of June 30, 2018 and determined based upon the Plan Fiduciary Net Position (FNP) and Total OPEB Liability (TOL) from actuarial valuation as of June 30, 2018.

As of the reporting date June 30, 2019 (measurement date of June 30, 2018), LAWA reported its proportionate shares of TOL, FNP and NOL¹¹ as follows (amounts in thousands):

	Reporting date 6/30/19
	Measurement date 6/30/18
LAWA's proportionate share:	
Total OPEB Liability	\$ 439,476
Plan Fiduciary Net Position	(361,152)
Plan's Net OPEB Liability	<u>\$ 78,324</u>
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	82.18%

LAWA's NOL was measured as the proportionate share of the NOL based on the employer contributions made by LAWA during fiscal year 2018. The NOL was measured as of June 30, 2018 and determined based upon the Postemployment Health Care Plan's FNP (plan assets) and TOL from actuarial valuations as of June 30, 2018.

Change in LAWA's proportionate share of the NOL as of June 30, 2019 (measurement date June 30, 2018) and 2018 (measurement date June 30, 2017) was as follows (amounts in thousands):

	NOL	Proportion
Proportion - Reporting date June 30, 2019 (measurement date June 30, 2018)	\$ 78,324	13.49%
Proportion - Reporting date June 30, 2018 (measurement date June 30, 2017)	\$ 77,566	13.68%
Change - Increase (Decrease)	\$ 758	(0.19)%

¹¹ On March 28, 2017, the City Council adopted Ordinance No. 184853 to amend the Los Angeles Administrative Code authorizing certain sworn Airport Peace Officers (APO) at LACERS to elect to transfer to Tier 6 of LAFPP Plan or to remain in LACERS Plan. All new APO hired after January 7, 2018 would be enrolled in LAFPP Tier 6. The Governmental Accounting Standards (GAS) 68 Actuarial Valuation Report based on June 30, 2017 Measurement Date for Employer Reporting as of June 30, 2018 did not include any additional liabilities associated with the enhanced benefits for the APO who would elect to remain in LACERS since the elections had not yet been completed at the time the actuary prepared the GAS 75 Actuarial Valuation Report. Similarly, the actuary did not include any decrease in liabilities associated with APO members transferring to LAFPP in the GAS 74 Actuarial Valuation Report, for the same reason. Based on discussions with LACERS, the actuary have been directed to continue excluding any increases or decreases in liabilities associated with any APO benefit enhancements at LACERS and APO transfers to LAFPP for the June 30, 2017 (measurement date) GAS 75 Valuation Report. For more information on the transfer to LAFPP, please refer to Note 13, Part II, City of Los Angeles Fire and Police Pensions, of the notes to the financial statements.

Notes to the Financial Statements

June 30, 2019 and 2018

(continued)

For the year ended June 30, 2019, LAWA recognized the Postemployment Health Care Plan's OPEB expense of \$11.7 million. At June 30, 2019, LAWA reported deferred outflows of resources and deferred inflows of resources related to the Postemployment Health Care Plan from the following resources (amounts in thousands):

	Deferred outflows of resources	Deferred inflows of resources
OPEB contributions subsequent to measurement date	\$ 14,434	\$ —
Differences between expected and actual experience	1,824	—
Changes of assumptions	13,637	837
Net difference between projected and actual earnings on OPEB plan investments	—	23,376
Changes in proportion and differences between employer contributions and proportionate share of contributions	—	1,700
Total	<u>\$ 29,895</u>	<u>\$ 25,913</u>

\$14.4 million reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to net OPEB liability will be recognized as OPEB expense as follows (amounts in thousands):

Fiscal year ending	Amount
2020	\$ (4,439)
2021	(4,439)
2022	(4,439)
2023	102
2024	1,947
2025	816

Actuarial Assumptions

The total OPEB liability as of June 30, 2019 was determined by actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Date of Experience Study	June 30, 2017 (July 1, 2014 through June 30, 2017)
Long-Term Expected Rate of Return	7.25%
Inflation	3%
Projected Salary Increases	Range from 3.90% to 10.00% based on years of service, including inflation
Mortality Table for Retirees and Beneficiaries	Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table projected generationally with the two-dimensional mortality improvement scale MP-2017.
Mortality Table for Disabled Retirees	Headcount-Weighted RP-2014 Disabled Retiree Mortality Table projected generationally with the two-dimensional mortality improvement scale MP-2017.
Marital Status	60% of male and 35% of female retirees who receive a subsidy are assumed to be married or have a qualified domestic partner and elect dependent coverage.
Spouse Age Difference	Male retirees are assumed to be four years older than their female spouses. Female retirees are assumed to be two years younger than their male spouses.
Health Care Cost Trend Rates	Medical Premium Trend Rates to be applied in the following fiscal years, to all health plans. Trend Rate is to be applied to the premium for shown fiscal year to calculate next fiscal year's projected premium.

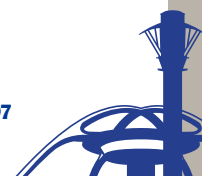
Medical Premium Trend Rates to be applied to fiscal year 2019 are:

First Fiscal Year (July 1, 2018 through June 30, 2019)

<u>Carrier</u>	<u>Under Age 65</u>	<u>Age 65 & Over</u>
Kaiser HMO	3.5%	4.29%
Anthem Blue Cross HMO	(1.75)%	N/A
Anthem Blue Cross PPO	3.5%	3.25%
UHC Medicare HMO	N/A	3.25%

Dental Premium Trend to be applied is 4.00% for all years.

Medicare Part B Premium Trend for the 2018-19 fiscal year will be calculated based on the actual increase in premium from 2018 to 2019. 4.00% for years following the 2019 calendar year.



Notes to the Financial Statements

June 30, 2019 and 2018

(continued)

Discount Rate

The discount rates used to measure the total OPEB liability, 7.25% as of June 30, 2018, was the long-term expected rate of return on the LACER Plan's investments.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rate 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 as follows:

Asset Class	Target Allocation	Arithmetic Long-Term Expected Real Rate of Return
U.S. Large Cap Equity	14.00%	5.61%
U.S. Small Cap Equity	5.00	6.10
Developed International Large Cap Equity	17.00	6.70
Developed International Small Cap Equity	3.00	7.10
Emerging Market Equity	7.00	8.90
Core Bonds	13.75	1.00
High Yield Bonds	2.00	3.10
Bank Loans	2.00	3.00
Emerging Market Debt	4.50	3.40
Private Debt	3.75	5.50
Private Real Estate	7.00	4.70
Real Estate Investment Trust	0.50	5.90
Treasury Inflation Protected Securities	3.50	1.00
Commodities	1.00	3.40
Public Real Assets	1.00	4.80
Private Equity	14.00	9.00
Cash	1.00	0.00
Total	100.00%	

The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates equal to the actuarially-determined contribution rates. For this purpose, employer contributions are intended only to fund the benefits of current plan members and their beneficiaries. Based on those assumptions, LACERS fiduciary net position was projected to be available to make all projected future benefit payments for current plan Members and their beneficiaries. Therefore, in accordance with the GASB Statement No. 74, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2019.

Sensitivity of LAWA's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents LAWA's proportionate share of the net OPEB liability as of June 30, 2019, calculated using the discount rate of 7.25%, as well as what LAWA's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate (amounts in thousands):

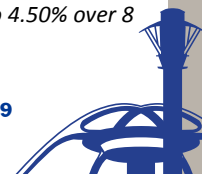
	June 30, 2019
1% decrease	6.25%
Net OPEB Liability	\$141,464
Current discount rate	7.25%
Net OPEB Liability	\$78,324
1% increase	8.25%
Net OPEB Liability	\$26,721

Sensitivity of LAWA's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents LAWA's proportionate share of the net OPEB liability as of June 30, 2019, as well as what LAWA's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current trend rate¹² (amounts in thousands):

	June 30, 2019
1% decrease	
Net OPEB Liability	\$19,555
Current Healthcare Cost Trend Rates	
Net OPEB Liability	\$78,324
1% increase	
Net OPEB Liability	\$155,369

¹² Current trend rates: 6.87% graded down to 4.50% over 10 years for Non-Medicare medical plan costs; 6.37% graded down to 4.50% over 8 years for Medicare medical plan costs; and 4.50% for all years for Dental and Medicare Part B cost.



Notes to the Financial Statements

June 30, 2019 and 2018

(continued)

II. *City of Los Angeles Fire and Police Pensions*

a. Benefits Provided by the LAFPP Plan - OPEB

LAFPP provides other postemployment healthcare benefits to eligible members. Detailed information about the LAFPP OPEB plan is available in the separately issued LAFPP financial report.

b. Net OPEB Liability, OPEB Expenses and Deferred Outflows/Inflows of Resources Related to the LAFPP Plan

At June 30, 2019, LAWA recognized its proportionate shares of NOL of \$0.7 million, and OPEB expense of \$0.2 million for the LAFPP plan. LAWA also reported deferred outflows of resources and deferred inflows of resources related to OPEB for the LAFPP plan from the following resources (amounts in thousands):

	Deferred outflows of resources	Deferred inflows of resources
OPEB contributions subsequent to measurement date	\$ 457	\$ —
Differences between expected and actual experience	609	—
Changes of assumptions	25	—
Net difference between projected and actual earnings on OPEB plan investments	—	5
Total	<u>\$ 1,091</u>	<u>\$ 5</u>

\$0.5 million reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the NOL in the year ending June 30, 2020.

15. Risk Management

The Risk Management Division administers LAWA's risk and claims management program by implementing a comprehensive risk identification, assessment, regulation and insurance program. The program addresses key risks that may adversely affect LAWA's ability to meet its business goals and objectives and effectively insures against losses, transfers risk or otherwise mitigates risk losses.

LAWA maintains insurance coverage of \$1.3 billion for general aviation liability perils and \$1.0 billion for war and allied perils (Terrorism). Additional insurance coverage is carried for general all risk property insurance for \$2.5 billion, that includes \$250.0 million sub-limits for boiler and machinery, and \$25.0 million for earthquake perils. Deductibles for these policies are \$10,000 per claim with a \$500,000 annual aggregate for general liability losses, and \$100,000 per occurrence and no aggregate for general property casualty. Historically, no liability or property claims have reached or exceeded the stated policy limits stated above.

Additionally, LAWA 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. LAWA also monitors contractual transfer of risk by and through insurance review and requirements of contractors, tenants, airlines. For fiscal years 2019, 2018, and 2017, no claims were in excess of LAWA's insurance coverage or approached a substantial portion of the overall coverage capacities.

A number of claims/lawsuits were pending against LAWA that arose in the normal course of its operations. LAWA recognizes a liability for claims and judgments when it is probable that an asset has been impaired or a liability has been incurred and the amount of the loss can be reasonably estimated. Outside counsel provides estimates for the amount of liabilities with a probability of occurring from these lawsuits. The probability weighted liability for litigation and other claims for the fiscal years ended June 30, 2019 and 2018 was \$10.1 million.

LAWA is self-insured as part of the City's program for workers' compensation. All workers' compensation cases are processed by LAWA under the City's workers compensation program. Liability and risk are retained by LAWA. The actuarially determined accrued liability for workers' compensation includes provision for incurred but not reported claims and loss adjustment expenses. The present value of the estimated outstanding losses was calculated based on a 3% yield on investments. LAWA's accrued workers' compensation liabilities at June 30, 2019 and 2018 were \$84.8 million and \$88.4 million, respectively.



Notes to the Financial Statements

June 30, 2019 and 2018

(continued)

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

	June 30		
	2019	2018	2017
Balance at beginning of year	\$ 98,552	\$ 79,659	\$ 79,437
Provision for current year's events and changes in provision for prior years' events	6,860	27,170	8,759
Claims payments	(10,525)	(8,277)	(8,537)
Balance at end of year	94,887	98,552	79,659
Current portion	(9,326)	(10,525)	(8,277)
Noncurrent portion	<u>\$ 85,561</u>	<u>\$ 88,027</u>	<u>\$ 71,382</u>

16. Commitments, Litigations, and Contingencies

a. Commitments

LAWA has commitments for open purchase orders of approximately \$138.9 million and \$115.0 million as of June 30, 2019 and 2018, respectively.

LAWA has commitments to make a series of Milestone Payments according to the terms of contract for Automated People Mover (APM) totaling approximately \$1.0 billion during the construction, based upon the value of work performed and/or its completion of certain design and construction milestones. Subject to certain conditions, additional five APM Milestone Payments¹³ are to be made between December 31, 2019 and 60 days after final completion of the APM Project. Additional commitments related to further Availability Payments are subject to project completion.

LAWA has commitments to make a series of Consolidated Rental Car Facility (ConRAC) Milestone/Progress Payments of approximately \$725.0 million during the construction based upon the value of work performed and/or its completion of certain design and construction milestones. Additional commitments related to further Availability Payments are subject to project completion.

LAWA has the following commitments on major construction contracts¹⁴:

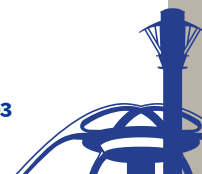
Project	Amount (in millions)
MSC North Terminals	\$ 318.1
TBIT Core and APM Interface	293.9
LAWA Utilities and LAMP Enabling Project	167.0
ITF West	213.4
Airport Police Facility	156.9
Total	<u>\$ 1,149.3</u>

LAWA has the following commitments on major tenant based acquisitions¹⁴:

Project	Amount (in millions)
Terminals 1/1.5 Improvement	\$ 443.9
Terminals 2/3 Improvement	1,602.5
Terminals 4/5 Improvement	233.6
TBIT/MSC Baggage System	260.2
Total	<u>\$ 2,540.2</u>

¹³ The first APM Milestone Payment of \$174.7 million was made in March 2019.

¹⁴ Unpaid portion of total commitments.



Notes to the Financial Statements

June 30, 2019 and 2018

(continued)

b. 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, including epidemics and pandemics. As a result of terrorist activities, certain international hostilities and risk of violent crime, LAWA has implemented enhanced security measures mandated by the FAA, the Transportation Security Administration (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 LAWA's operations, expenses and revenues. LAX has been the target of a foiled terrorist bombing plot and has been recognized as a potential terrorist target. Recent incidents at United States and international airports underscore this risk. LAX is a high profile public facility in a major metropolitan area. LAWA cannot predict whether LAX or any of LAWA's other airports will be actual targets of terrorists or other violent acts in the future.

c. Environmental Issues

LAWA bears full responsibility for the cleanup of environmental contamination on property it owns. However, if the contamination originated based on contractual arrangements, the tenants are held responsible even if they declare bankruptcy. As property owner, LAWA assumes the ultimate responsibility for cleanup in the event the tenant is unable to make restitution. Under certain applicable laws, LAWA may become liable for cleaning up soil and groundwater contamination on a property in the event that the previous owner does not perform its remediation obligations. LAWA accrues pollution remediation liabilities when costs are incurred or amounts can be reasonably estimated based on expected outlays.

The California Regional Water Quality Control Board, Lahontan Region (Water Board) issued a Notice of Revised Proposed Cleanup and Abatement Order (Order) to Los Angeles County Sanitation District No. 20 (District) and the City of Los Angeles (City), as Dischargers, with respect to discharges to underground water from the Palmdale Reclamation Plant (Reclamation Plant) owned by the District. The Order states that the discharges have resulted in violations of waste discharge requirements for the Reclamation Plant and prohibitions contained in the Water Quality Control Plan for the Lahontan Region, and that discharges from the Reclamation Plant to unlined ponds and to the Effluent Management Site (owned by the City and now known as the Agricultural Site) have adversely affected and polluted groundwater in the area of the discharges. The Water Board issued an order to the District and LAWA to submit technical reports that include feasibility and costs to remove nitrate from groundwater to certain acceptable levels. The LAWA Board and City Council approved a settlement in April and May 2018 which is documented in an Amended & Restated Lease with the following key terms: (i) LAWA to make a \$5.0 million lump sum payment to the District, (ii) LAWA to provide a 10-year lease extension with two 5-year options, (iii) District to release the City, including LAWA's past and current tenants, (iv) District to indemnify LAWA, in perpetuity, covering all past and future cleanup orders and regulatory requirements relating to Site Contamination (as defined in the Amended & Restated Lease), with two limited and reasonable exceptions, (v) LAWA to provide reasonable access over its Palmdale Landholdings for Compliance Requirements, subject to its Tenant Improvement Approval Process and obligations under tenant leases, and (vi) Groundwater pumped as part of the extraction well network shall be charged to the District's allocation under the Antelope Valley Groundwater Adjudication Final Judgment, and not to LAWA's allocation. The \$5.0 million lump sum payment was made in June 2018 in full settlement of the liability which was accrued as of June 30, 2017.

17. Subsequent Events

On July 18, 2019, the Board approved a Guaranteed Maximum Price (GMP) in the amount of \$218.7 million and approved the third amendment in the amount of \$10.0 million to the contract with Swinerton Builders for the Landside Access Modernization Program Intermodal Transportation Facility West (ITF-West) Project at LAX. The ITF-West Project will provide public parking for approximately 4,530 vehicles, create flexible space for commercial and passenger amenities, and provide a new facility to relocate the LAWA Security Badging Office.

On July 18, 2019, the Board appropriated funds of \$88.5 million to continue project management/ construction management (PM/CM) services and project control (PC) services supporting the Capital Improvement Program (CIP) and enterprise-level initiatives of LAWA. These services augment LAWA staff supporting both LAWA and tenant managed improvements. The Board approved contracts totaling \$120.0 million for PM/CM services and \$100.0 million for PC services with the intent that staff would return periodically to appropriate funds based on projected CIP workload. This appropriation will fully fund the combined contract amounts established in 2016 and will support the CIP estimated through December 2020.

On August 1, 2019, the Board approved award of a three-year contract to LAZ Parking California, LLC for taxi and ride-app pickup lot and shuttle operations, management, and related services for a not-to-exceed amount of \$65.0 million and appropriate funds in the amount of \$12.5 million for the purchase of the remaining trolleys to be used at this lot.

On August 1, 2019, the Board approved the First Amendment to Amended and Restated Lease with PNF-LAX, Inc. with a corresponding reduction in the monthly scheduled minimum rent, resulting in projected annual revenue of \$6.4 million for 2019 and a guaranteed minimum revenue of \$55.4 million over the remaining term of the lease, exclusive of CPI, periodic rent adjustments. The purpose of this action is to address LAWA's need for immediate temporary access to PNF's leased premises and use a portion of the premises for an auxiliary curb. This is an effort to address the anticipated traffic congestion in the Central Terminal Area caused by passenger growth as well as current and pending airport improvement projects, and to improve the guest experience.

On August 1, 2019, the Board approved the First Amendment with Hensel Phelps in the amount of \$11.8 million, a GMP in the amount of \$177.6 million for the Airport Police Facility Project at LAX, and a not-to-exceed amount of \$172.4 million to complete the project. This project is part of LAWA's CIP and includes design and construction of a new facility to co-locate the majority of functions of the Airport Police Division onto one site.

On September 10, 2019, the Board awarded a three-year contract in a not-to-exceed amount of \$84.1 million to Sully-Miller Contracting Company for construction of Taxiway P Project at LAX; and appropriate capital funds in the amount of \$96.9 million for this project.

On September 10, 2019, the Board approved first amendment with Austin Commercial, LP for the Terminal Cores and APM Interface Project in the amount of \$61.9 million; approved the GMP in the amount of \$398.4 million in capital funds for Base Buildings and three additional scopes of work for the Terminal Cores and APM Interface Project; and appropriate funds in the amount of \$384.3 million for this project.



This page intentionally left blank.



Required Supplementary Information (Unaudited)

2019

Comprehensive Annual Financial Report
Los Angeles World Airports



Required Supplementary Information

(Unaudited)

2019

Comprehensive Annual Financial Report
Los Angeles World Airports



Los Angeles World Airports

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

Required Supplementary Information (Unaudited)

Last Ten Fiscal Years Ended June 30

(amounts in thousands)

Pension Plan

The schedules included in the Required Supplementary Information for the Pension Plan are intended to show information for 10 years. However, the following schedules do not have a full 10-year trend, and therefore, LAWA presented information only for those years for which information is available. Additional years will be displayed in the future as they become available.

Schedule of LAWA's Proportionate Share of the Net Pension Liability ⁽¹⁾ ⁽²⁾

Los Angeles City Employees' Retirement System (LACERS)

Fiscal Year	Proportion of the Net Pension Liability	Proportionate share of the Net Pension Liability	Covered Payroll (3)	Proportionate share of the Net Pension Liability as a percentage of its Covered Payroll	Proportionate share of Pension Plan's Fiduciary Net Position	Proportionate share of Pension Plan's Total Pension Liability	Pension Plan's Fiduciary Net Position as a percentage of the Total Pension Liability
2015	13.80%	\$ 615,349	\$ 249,228	246.90%	\$ 1,627,643	\$ 2,242,992	72.57%
2016	13.98%	\$ 697,482	\$ 255,014	273.51%	\$ 1,666,366	\$ 2,363,848	70.49%
2017	13.79%	\$ 774,356	\$ 260,929	296.77%	\$ 1,628,551	\$ 2,402,907	67.77%
2018	13.70%	\$ 723,062	\$ 271,035	266.78%	\$ 1,805,783	\$ 2,528,845	71.41%
2019	13.75%	\$ 785,272	\$ 278,682	281.78%	\$ 1,957,905	\$ 2,743,177	71.37%

Notes to schedule:

1. Changes of assumptions

The June 30, 2014 measurement date 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, while the June 30, 2017 increase is primarily due to the lowered assumed investment rate of return from 7.50% in fiscal year 2016 to 7.25% in fiscal year 2017.

2. In calculating the Pension Plan's Net Pension Liability, the Total Pension Liability and the Plan Fiduciary Net Position exclude amounts associated with Family Death, and Larger Annuity Benefits.

3. Covered payroll represents the collective total of the pensionable wages of all LACERS membership tiers and is reported based on measurement period.



Required Supplementary Information (Unaudited) (continued)
Last Ten Fiscal Years Ended June 30
(amounts in thousands)

Schedule of Contributions - Pension

Los Angeles City Employees' Retirement System (LACERS)

	2019	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ 65,746	\$ 61,920	\$ 62,173	\$ 60,694	\$ 53,261
Contributions in relation to the actuarially determined	65,746	61,920	62,173	60,694	53,261
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
LAWA's covered payroll	\$ 280,596	\$ 278,682	\$ 271,035	\$ 260,929	\$ 255,014
LAWA's contributions as a percentage of covered payroll	23.43%	22.22%	22.94%	23.26%	20.89%

Notes to schedule - Pension
Los Angeles City Employees' Retirement System (LACERS)

Valuation Date	June 30, 2018
Actuarial Cost Method	Entry age method
Amortization Method	Level percent of payroll
Long-Term Expected Rate of Return	7.25%
Inflation	3.00%
Project Salary Increases	Ranges from 3.90% to 10.00% based on years of service, including inflation



Required Supplementary Information (Unaudited) (continued)
Last Ten Fiscal Years Ended June 30
(amounts in thousands)

Other Postemployment Benefit Plan (OPEB)

The schedules included in the Required Supplementary Information for the Postemployment Health Care Plan are intended to show information for 10 years. However, the following schedules do not have a full 10-year trend, and therefore, LAWA presented information only for those years for which information is available. Additional years will be displayed in the future as they become available.

Schedule of LAWA's Proportionate Share of the Net OPEB Liability ⁽¹⁾

Los Angeles City Employees' Retirement System (LACERS)

Fiscal Year	Proportion of the Net Postemployment Health Care (OPEB) Liability	Proportionate share of the Net OPEB Liability	Covered Payroll (2)	Proportionate share of the Net OPEB Liability as a percentage of its Covered Payroll	Proportionate share of Postemployment Health Care Plan's Fiduciary Net Position	Proportionate share of Postemployment Health Care Plan's Total OPEB Liability	Postemployment Health Care Plan's Fiduciary Net Position as a percentage of the Total OPEB Liability
2018	13.68%	\$ 77,566	\$ 271,035	28.62%	\$ 333,673	\$ 411,239	81.14%
2019	13.49%	\$ 78,324	\$ 278,682	28.11%	\$ 361,138	\$ 439,463	82.18%

Notes to schedule:

1. Changes of assumptions

The June 30, 2017 measurement date OPEB liability from the changes of assumptions is primarily due to the lowered assumed investment rate of return from 7.50% in fiscal year 2016 to 7.25% in fiscal year 2017.

2. Covered payroll represents the collective total of the pensionable wages of all LACERS membership tiers and is reported based on measurement period.

Schedule of Contributions - OPEB

Los Angeles City Employees' Retirement System (LACERS)

	2019	2018
Contractually required contribution (actuarially determined)	\$ 14,434	\$ 13,810
Contributions in relation to the actuarially determined contributions	\$ 14,434	13,810
Contribution deficiency (excess)	<u>—</u>	<u>\$ —</u>
LAWA's covered payroll	\$ 280,596	\$ 278,682
LAWA's contributions as a percentage of covered payroll	5.14%	4.96%



Required Supplementary Information (Unaudited) (continued)
Last Ten Fiscal Years Ended June 30
 (amounts in thousands)

Notes to schedule - OPEB

Los Angeles City Employees' Retirement System (LACERS)

Valuation Date	June 30, 2018
Actuarial Cost Method	Entry age method
Amortization Method	Level percent of payroll
Long-Term Expected Rate of Return	7.25%
Inflation	3.00%
Project Salary Increases	Ranges from 3.90% to 10.00% based on years of service, including inflation



Supplemental Information

2019

Comprehensive Annual Financial Report
Los Angeles World Airports



Supplemental Information

2019

Comprehensive Annual Financial Report
Los Angeles World Airports



This page intentionally left blank.



Los Angeles World Airports

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

Combining Schedule of Net Position June 30, 2019

(with June 30, 2018 comparative total)

(amounts in thousands)

	Los Angeles International Airport	Van Nuys Airport	Palmdale Property
ASSETS			
Current Assets			
Unrestricted current assets			
Cash and pooled investments held in City Treasury	\$ 920,496	\$ 5,750	\$ 2
Investments with fiscal agents	2,565	50	—
Accounts receivable, net of allowance for uncollectible accounts: 2019 - \$105; 2018 - \$1	3,782	1,107	30
Unbilled receivables	49,795	303	614
Accrued interest receivable	8,038	—	—
Grants receivable	16,959	2,936	—
Loans receivable	—	160	—
Receivable from OIAA	9,464	—	—
Receivable from City General Fund	—	—	—
Due from (to) other agencies	47,252	—	(47,252)
Prepaid expenses	7,249	108	—
Inventories	1,524	39	—
Total unrestricted current assets	1,067,124	10,453	(46,606)
Restricted current assets			
Cash and pooled investments held in City Treasury	1,027,956	—	—
Investments with fiscal agents, includes cash and cash equivalents, related to bonded debt: 2019 - \$1,682,117; 2018 - \$931,074	1,934,293	—	—
Accrued interest receivable	1,642	—	—
Passenger facility charges receivable	26,926	—	—
Customer facility charges receivable	7,161	—	—
Total restricted current assets	2,997,978	—	—
Total current assets	4,065,102	10,453	(46,606)
Noncurrent Assets			
Capital assets			
Not depreciated	3,428,867	25,028	91,992
Depreciated, net	7,370,707	40,954	5,140
Total capital assets	10,799,574	65,982	97,132
Other noncurrent assets			
Loans receivable, net of current portion	—	71	—
Receivable from OIAA, net of current portion	28,179	—	—
Total other noncurrent assets	28,179	71	—
Total noncurrent assets	10,827,753	66,053	97,132
TOTAL ASSETS	14,892,855	76,506	50,526
DEFERRED OUTFLOWS OF RESOURCES			
Loss on debt refundings	37,806	—	—
Pension and OPEB	211,160	3,517	—
TOTAL DEFERRED OUTFLOWS OF RESOURCES	248,966	3,517	—

	Total 2019	Total 2018
ASSETS		
Current Assets		
Unrestricted current assets		
Cash and pooled investments held in City Treasury	\$ 926,248	\$ 912,337
Investments with fiscal agents	2,615	2,167
Accounts receivable, net of allowance for uncollectible accounts: 2019 - \$105; 2018 - \$1	4,919	44
Unbilled receivables	50,712	21,879
Accrued interest receivable	8,038	6,129
Grants receivable	19,895	6,844
Loans receivable	160	150
Receivable from OIAA	9,464	9,569
Receivable from City General Fund	—	2,935
Due from (to) other agencies	—	—
Prepaid expenses	7,357	4,550
Inventories	1,563	1,405
Total unrestricted current assets	<u>1,030,971</u>	<u>968,009</u>
Restricted current assets		
Cash and pooled investments held in City Treasury	1,027,956	874,413
Investments with fiscal agents, includes cash and cash equivalents, related to bonded debt: 2019 - \$1,682,117; 2018 - \$931,074	1,934,293	1,042,477
Accrued interest receivable	1,642	1,363
Passenger facility charges receivable	26,926	24,900
Customer facility charges receivable	7,161	8,517
Total restricted current assets	<u>2,997,978</u>	<u>1,951,670</u>
Total current assets	<u>4,028,949</u>	<u>2,919,679</u>
Noncurrent Assets		
Capital assets		
Not depreciated	3,545,887	2,815,931
Depreciated, net	7,416,801	6,989,908
Total capital assets	<u>10,962,688</u>	<u>9,805,839</u>
Other noncurrent assets		
Loans receivable, net of current portion	71	233
Receivable from OIAA, net of current portion	28,179	35,984
Total other noncurrent assets	<u>28,250</u>	<u>36,217</u>
Total noncurrent assets	<u>10,990,938</u>	<u>9,842,056</u>
TOTAL ASSETS	<u>15,019,887</u>	<u>12,761,735</u>
DEFERRED OUTFLOWS OF RESOURCES		
Loss on debt refundings	37,806	40,308
Pension and OPEB	214,677	162,101
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>252,483</u>	<u>202,409</u>



Los Angeles World Airports

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

Combining Schedule of Net Position June 30, 2019 (continued) (with June 30, 2018 comparative total) (amounts in thousands)

	Los Angeles International Airport	Van Nuys Airport	Palmdale Property
LIABILITIES			
Current Liabilities			
Current liabilities payable from unrestricted assets			
Contracts and accounts payable	\$ 276,145	\$ 5,563	\$ 595
Accrued salaries	23,201	393	—
Accrued employee benefits	5,349	116	—
Estimated claims payable	9,170	156	—
Commercial paper	99,791	—	—
Obligations under securities lending transactions	9,810	—	—
Other current liabilities	18,081	1,063	13
Total current liabilities payable from unrestricted assets	441,547	7,291	608
Current liabilities payable from restricted assets			
Contracts and accounts payable	16,169	—	—
Current maturities of bonded debt	143,240	—	—
Accrued interest payable	42,304	—	—
Obligations under securities lending transactions	10,305	—	—
Other current liabilities	858	—	—
Total current liabilities payable from restricted assets	212,876	—	—
Total current liabilities	654,423	7,291	608
Noncurrent Liabilities			
Bonded debt, net of current portion	7,699,537	—	—
Accrued employee benefits, net of current portion	43,282	935	—
Estimated claims payable, net of current portion	84,301	1,260	—
Net pension liability	773,419	13,346	—
Net OPEB liability	77,769	1,268	—
Other long-term liabilities	886	—	—
Total noncurrent liabilities	8,679,194	16,809	—
TOTAL LIABILITIES	9,333,617	24,100	608
DEFERRED INFLOWS OF RESOURCES			
Gain on debt refundings	3,681	—	—
Pension and OPEB	88,810	1,744	—
TOTAL DEFERRED INFLOWS OF RESOURCES	92,491	1,744	—
NET POSITION			
Net investment in capital assets	4,782,855	65,982	97,132
Restricted for:			
Passenger facility charges eligible projects	381,032	—	—
Customer facility charges eligible projects	433,066	—	—
Operations and maintenance reserve	221,137	—	—
Federally forfeited property and protested funds	1,526	—	—
Unrestricted	(103,903)	(11,803)	(47,214)
TOTAL NET POSITION	\$ 5,715,713	\$ 54,179	\$ 49,918

	Total 2019	Total 2018
LIABILITIES		
Current Liabilities		
Current liabilities payable from unrestricted assets		
Contracts and accounts payable	\$ 282,303	\$ 278,246
Accrued salaries	23,594	18,870
Accrued employee benefits	5,465	4,365
Estimated claims payable	9,326	10,525
Commercial paper	99,791	60,832
Obligations under securities lending transactions	9,810	15,914
Other current liabilities	19,157	14,554
Total current liabilities payable from unrestricted assets	449,446	403,306
Current liabilities payable from restricted assets		
Contracts and accounts payable	16,169	7,715
Current maturities of bonded debt	143,240	120,830
Accrued interest payable	42,304	39,887
Obligations under securities lending transactions	10,305	15,487
Other current liabilities	858	4,897
Total current liabilities payable from restricted assets	212,876	188,816
Total current liabilities	662,322	592,122
Noncurrent Liabilities		
Bonded debt, net of current portion	7,699,537	5,960,266
Accrued employee benefits, net of current portion	44,217	44,673
Estimated claims payable, net of current portion	85,561	88,027
Net pension liability	786,765	723,062
Net OPEB liability	79,037	77,566
Other long-term liabilities	886	885
Total noncurrent liabilities	8,696,003	6,894,479
TOTAL LIABILITIES	9,358,325	7,486,601
DEFERRED INFLOWS OF RESOURCES		
Gain on debt refundings	3,681	—
Pension and OPEB	90,554	91,616
TOTAL DEFERRED INFLOWS OF RESOURCES	94,235	91,616
NET POSITION		
Net investment in capital assets	4,945,969	4,706,733
Restricted for:		
Passenger facility charges eligible projects	381,032	332,874
Customer facility charges eligible projects	433,066	340,077
Operations and maintenance reserve	221,137	210,207
Federally forfeited property and protested funds	1,526	1,336
Unrestricted	(162,920)	(205,300)
TOTAL NET POSITION	\$ 5,819,810	\$ 5,385,927



Los Angeles World Airports

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

Combining Schedule of Revenues, Expenses and Changes in Net Position

For the Fiscal Year Ended June 30, 2019

(with for the fiscal year ended June 30, 2018 comparative total)

(amounts in thousands)

	Los Angeles International Airport	Van Nuys Airport	Palmdale Property
OPERATING REVENUE			
Aviation revenue			
Landing fees	\$ 295,724	\$ —	\$ —
Building rentals	581,946	5,278	3,547
Land rentals	118,145	12,226	243
Other aviation revenue	7,390	3,144	—
Total aviation revenue	1,003,205	20,648	3,790
Concession revenue	501,167	12	—
Other operating revenue	9,995	335	—
Total operating revenue	1,514,367	20,995	3,790
OPERATING EXPENSES			
Salaries and benefits	456,948	7,397	—
Contractual services	220,990	6,682	1,093
Materials and supplies	53,414	569	—
Utilities	46,191	510	421
Other operating expenses	23,559	318	1,122
Allocated administrative charges	(2,728)	2,333	395
Total operating expenses before depreciation and amortization	798,374	17,809	3,031
Operating income before depreciation and amortization	715,993	3,186	759
Depreciation and amortization	402,646	4,169	849
OPERATING INCOME (LOSS)	313,347	(983)	(90)
NONOPERATING REVENUE (EXPENSES)			
Passenger facility charges	173,100	—	—
Customer facility charges	80,248	—	—
Interest and investment income	109,323	97	—
Interest expense	(294,767)	—	—
Other nonoperating revenue	23,996	—	—
Other nonoperating expenses	(6,728)	—	—
Total nonoperating revenue, net	85,172	97	—
INCOME (LOSS) BEFORE CAPITAL GRANTS	398,519	(886)	(90)
Federal and other government grants	29,864	6,476	—
CHANGE IN NET POSITION	428,383	5,590	(90)
NET POSITION, BEGINNING OF YEAR, AS PREVIOUSLY REPORTED	5,287,330	48,589	50,008
Change in accounting principle as a result of GASB 75 & 85	—	—	—
NET POSITION, BEGINNING OF YEAR, AS ADJUSTED	5,287,330	48,589	50,008
NET POSITION, END OF YEAR	\$ 5,715,713	\$ 54,179	\$ 49,918

	Total before eliminations	Eliminations	Total 2019	Total 2018
OPERATING REVENUE				
Aviation revenue				
Landing fees	\$ 295,724	\$ —	\$ 295,724	\$ 284,686
Building rentals	590,771	—	590,771	536,367
Land rentals	130,614	(1,203)	129,411	118,937
Other aviation revenue	10,534	—	10,534	9,439
Total aviation revenue	1,027,643	(1,203)	1,026,440	949,429
Concession revenue	501,179	—	501,179	469,201
Other operating revenue	10,330	—	10,330	27,596
Total operating revenue	1,539,152	(1,203)	1,537,949	1,446,226
OPERATING EXPENSES				
Salaries and benefits	464,345	—	464,345	474,431
Contractual services	228,765	—	228,765	229,292
Materials and supplies	53,983	—	53,983	50,383
Utilities	47,122	—	47,122	40,383
Other operating expenses	24,999	(1,203)	23,796	21,022
Allocated administrative charges	—	—	—	—
Total operating expenses before depreciation and amortization	819,214	(1,203)	818,011	815,511
Operating income before depreciation and amortization	719,938	—	719,938	630,715
Depreciation and amortization	407,664	—	407,664	365,465
OPERATING INCOME (LOSS)	312,274	—	312,274	265,250
NONOPERATING REVENUE (EXPENSES)				
Passenger facility charges	173,100	—	173,100	171,431
Customer facility charges	80,248	—	80,248	55,759
Interest and investment income	109,420	—	109,420	9,945
Interest expense	(294,767)	—	(294,767)	(205,308)
Other nonoperating revenue	23,996	—	23,996	43,360
Other nonoperating expenses	(6,728)	—	(6,728)	(1,917)
Total nonoperating revenue, net	85,269	—	85,269	73,270
INCOME (LOSS) BEFORE CAPITAL GRANTS	397,543	—	397,543	338,520
Federal and other government grants	36,340	—	36,340	55,897
CHANGE IN NET POSITION	433,883	—	433,883	394,417
NET POSITION, BEGINNING OF YEAR, AS PREVIOUSLY REPORTED	5,385,927	—	5,385,927	5,069,265
Change in accounting principle as a result of GASB 75 & 85	—	—	—	(77,755)
NET POSITION, BEGINNING OF YEAR, AS ADJUSTED	5,385,927	—	5,385,927	4,991,510
NET POSITION, END OF YEAR	\$ 5,819,810	\$ —	\$ 5,819,810	\$ 5,385,927



This page intentionally left blank.



Statistical Section (Unaudited)

2019

Comprehensive Annual Financial Report
Los Angeles World Airports



Statistical Section

(Unaudited)

2019

Comprehensive Annual Financial Report
Los Angeles World Airports



Los Angeles World Airports

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

Statistical Section (Unaudited) Fiscal Year Ended June 30, 2019

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

Financial Trend and Revenue Capacity

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

• Net Position Summary	Page 128	• Changes in Net Position	Page 130
• Operating Revenue	Page 132	• Gross Concession Revenue per Enplaned Passenger	Page 134
• Operating Expenses per Enplaned Passenger	Page 136	• Landing Fee Rates	Page 138

Debt Capacity

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

• Outstanding Debt by Type and Debt Ratio	Page 140	• Revenue Bonds Debt Service Coverage	Page 142
---	----------	---------------------------------------	----------

Operating Information

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

• Airline Landing Weight Trend	Page 144	• Enplaned Passengers Data	Page 148
• Employee Trend	Page 152	• Schedule of Capital Assets	Page 154

Demographic and Economic Data

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

• Air Trade Area Population	Page 156
• Air Trade Area Personal Income	Page 157
• Air Trade Area Personal Income Per Capita	Page 158
• Air Trade Area Unemployment Rate	Page 159
• Los Angeles County Principal Employers (Non-Government)	Page 160



Los Angeles World Airports

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

Net Position Summary Last Ten Fiscal Years June 30 (amounts in thousands)

	2019	2018	2017	2016	2015
Assets					
Unrestricted current assets	\$ 1,030,971	\$ 968,009	\$ 875,829	\$ 953,498	\$ 801,802
Restricted current assets	2,997,978	1,951,670	1,921,000	1,826,813	1,666,940
Capital assets, net	10,962,688	9,805,839	8,746,290	8,237,704	7,457,471
Other noncurrent assets	28,250	36,217	68,013	13,151	16,070
Total assets	15,019,887	12,761,735	11,611,132	11,031,166	9,942,283
Deferred outflows of resources					
Loss on debt refundings	37,806	40,308	38,550	25,763	27,051
Pension and OPEB	214,677	162,101	206,553	138,220	142,391
Total deferred outflows of resources	252,483	202,409	245,103	163,983	169,442
Liabilities					
Current liabilities payable from unrestricted assets	449,446	403,306	388,167	358,841	319,941
Current liabilities payable from restricted assets	212,876	188,816	212,756	174,686	132,667
Noncurrent liabilities	7,830,201	6,093,851	5,337,544	5,001,300	4,401,545
Net pension liability	786,765	723,062	774,356	697,482	615,349
Net OPEB liability	79,037	77,566	—	—	—
Total liabilities	9,358,325	7,486,601	6,712,823	6,232,309	5,469,502
Deferred inflows of resources					
Gain on debt refundings	3,681	—	—	—	—
Pension and OPEB	90,554	91,616	74,147	65,236	150,019
Total deferred inflows of resources	94,235	91,616	74,147	65,236	150,019
Net Position					
Net investment in capital assets	4,945,969	4,706,733	4,322,932	4,049,740	3,709,205
Restricted for capital projects	814,098	672,951	782,153	750,234	801,276
Restricted for operation & maintenance reserve	221,137	210,207	185,897	194,818	188,375
Restricted for federal forfeited property & protested funds	1,526	1,336	1,463	1,368	1,517
Unrestricted	(162,920)	(205,300)	(223,180)	(98,556)	(208,169)
Total net position	\$ 5,819,810	\$ 5,385,927	\$ 5,069,265	\$ 4,897,604	\$ 4,492,204

	2014	2013	2012	2011	2010
Assets					
Unrestricted current assets	\$ 773,686	\$ 751,416	\$ 835,785	\$ 973,345	\$ 770,751
Restricted current assets	1,741,540	1,698,879	2,352,742	2,807,009	1,715,836
Capital assets, net	6,938,565	6,385,858	5,331,736	4,459,842	3,966,292
Other noncurrent assets	18,932	21,702	45,437	102,166	489,445
Total assets	9,472,723	8,857,855	8,565,700	8,342,362	6,942,324
Deferred outflows of resources					
Loss on debt refundings	2,581	2,795	—	—	—
Pension and OPEB	—	—	—	—	—
Total deferred outflows of resources	2,581	2,795	—	—	—
Liabilities					
Current liabilities payable from unrestricted assets	414,285	274,859	382,293	338,685	359,225
Current liabilities payable from restricted assets	116,999	102,125	110,482	169,554	89,256
Noncurrent liabilities	4,102,171	3,933,194	3,717,043	3,757,733	2,711,343
Net pension liability	—	—	—	—	—
Net OPEB liability	—	—	—	—	—
Total liabilities	4,633,455	4,310,178	4,209,818	4,265,972	3,159,824
Deferred inflows of resources					
Gain on debt refundings	—	—	—	—	—
Pension and OPEB	—	—	—	—	—
Total deferred inflows of resources	—	—	—	—	—
Net Position					
Net investment in capital assets	3,423,631	3,007,809	2,796,362	2,548,638	2,358,197
Restricted for capital projects	944,200	937,398	937,355	825,114	795,967
Restricted for operation & maintenance reserve	178,598	173,101	175,543	155,200	155,200
Restricted for federal forfeited property & protested funds	1,313	1,117	1,141	779	5,965
Unrestricted	294,107	431,047	445,481	546,659	467,171
Total net position	\$ 4,841,849	\$ 4,550,472	\$ 4,355,882	\$ 4,076,390	\$ 3,782,500

Note:

1. The net pension liability data for prior year, fiscal year 2014, was not restated because all of the information available to restate prior year amount was not readily available.
2. Statistical information for the 2016 and all preceding years includes activities relating to Ontario International Airport (ONT). As a result of the transfer of ONT operations during 2017, all information presented for years subsequent to 2016 include no ONT balances.
3. The net OPEB liability data for prior year, fiscal year 2017, was not restated because all of the information available to restate prior year amount was not readily available.



Los Angeles World Airports

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

Changes in Net Position

Last Ten Fiscal Years Ended June 30

(amounts in thousands)

	2019	2018	2017	2016	2015
Operating revenue					
Aviation revenue					
Landing fees	\$ 295,724	\$ 284,686	\$ 265,828	\$ 252,589	\$ 239,659
Building rentals	590,771	536,367	507,981	487,349	389,796
Land rentals	129,411	118,937	110,314	109,422	102,746
Other aviation revenue	10,534	9,439	10,081	9,606	7,126
Concession revenue	501,179	469,201	451,088	422,278	377,617
Other operating revenue	10,330	27,596	27,438	4,572	4,640
Total operating revenue	<u>1,537,949</u>	<u>1,446,226</u>	<u>1,372,730</u>	<u>1,285,816</u>	<u>1,121,584</u>
Nonoperating revenue					
Passenger facility charges	173,100	171,431	166,770	153,964	141,466
Customer facility charges	80,248	55,759	33,890	36,082	33,185
Interest and investment income	109,420	9,945	4,275	37,030	20,166
Other nonoperating revenue	23,996	43,360	15,886	17,857	9,175
Total nonoperating revenue	<u>386,764</u>	<u>280,495</u>	<u>220,821</u>	<u>244,933</u>	<u>203,992</u>
Total revenue	<u>1,924,713</u>	<u>1,726,721</u>	<u>1,593,551</u>	<u>1,530,749</u>	<u>1,325,576</u>
Operating expenses					
Salaries and benefits	464,345	474,431	455,032	421,028	405,923
Contractual services	228,765	229,292	215,386	199,919	190,445
Materials and supplies	53,983	50,383	44,634	50,325	49,810
Utilities	47,122	40,383	37,675	40,843	43,247
Other operating expenses	23,796	21,022	25,471	22,304	22,635
Depreciation and amortization	407,664	365,465	309,126	250,109	201,214
Total operating expenses	<u>1,225,675</u>	<u>1,180,976</u>	<u>1,087,324</u>	<u>984,528</u>	<u>913,274</u>
Nonoperating expenses					
Interest expense	294,767	205,308	194,482	185,275	169,630
Other nonoperating expenses	6,728	1,917	2,493	4,817	9,559
Total nonoperating expenses	<u>301,495</u>	<u>207,225</u>	<u>196,975</u>	<u>190,092</u>	<u>179,189</u>
Total expenses	<u>1,527,170</u>	<u>1,388,201</u>	<u>1,284,299</u>	<u>1,174,620</u>	<u>1,092,463</u>
Income before capital grants and special item	<u>397,543</u>	<u>338,520</u>	<u>309,252</u>	<u>356,129</u>	<u>233,113</u>
Federal and other government grants	36,340	55,897	87,756	49,271	34,761
Special item - loss on transfer of ONT	—	—	(225,347)	—	—
Changes in net position	<u>433,883</u>	<u>394,417</u>	<u>171,661</u>	<u>405,400</u>	<u>267,874</u>
Net position, beginning of year, as previously reported	<u>5,385,927</u>	<u>5,069,265</u>	<u>4,897,604</u>	<u>4,492,204</u>	<u>4,841,849</u>
Change in accounting principle	—	(77,755)	—	—	(617,519)
Net position, beginning of year, as adjusted	<u>5,385,927</u>	<u>4,991,510</u>	<u>4,897,604</u>	<u>4,492,204</u>	<u>4,224,330</u>
Net position, end of year	<u>\$ 5,819,810</u>	<u>\$ 5,385,927</u>	<u>\$ 5,069,265</u>	<u>\$ 4,897,604</u>	<u>\$ 4,492,204</u>

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

Note:

1. The net pension liability data for prior year, fiscal year 2014, was not restated because all of the information available to restate prior year amount was not readily available.
2. Statistical information includes no ONT activities in fiscal year 2018, four months ONT activities in fiscal year 2017 and full year's ONT activities for fiscal year 2016 and all preceding years as a result of the transfer of ONT operations during fiscal year 2017.
3. The net OPEB liability data for prior year, fiscal year 2017, was not restated because all of the information available to restate prior year amount was not readily available.

Los Angeles World Airports

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

Operating Revenue

Last Ten Fiscal Years Ended June 30

(amounts in thousands)

	2019	2018	2017	2016	2015
Landing fees					
Permitted/signatory	\$ 295,171	\$ 283,791	\$ 265,382	\$ 251,898	\$ 239,200
Non-permitted/non-signatory	553	895	446	691	459
Total landing fees	295,724	284,686	265,828	252,589	239,659
Building rentals					
Terminals	510,673	472,517	445,848	422,713	329,688
Other buildings	80,098	63,850	62,133	64,636	60,108
Total building rentals	590,771	536,367	507,981	487,349	389,796
Land rentals	129,411	118,937	110,314	109,422	102,746
Other aviation revenue					
Plane parking	1,943	1,956	2,631	3,279	1,031
Fuel fee	4,125	3,384	3,279	2,784	2,729
Other	4,466	4,099	4,171	3,543	3,366
Total other aviation revenue	10,534	9,439	10,081	9,606	7,126
Concession revenue					
Duty free	84,912	83,091	76,066	66,287	63,983
Commercial management concession	53,794	50,527	43,252	43,343	28,674
Food and beverage	25,476	22,612	23,431	23,440	26,249
Gifts and news	12,185	11,261	11,556	11,035	12,076
Advertising	31,676	31,612	28,185	26,998	23,196
Foreign exchange	11,769	11,887	9,149	8,003	7,093
Telecommunications	1,729	1,201	1,986	2,082	1,379
Luggage carts	1,563	1,588	1,995	2,746	2,754
Automated teller machines	3,745	3,750	3,780	3,840	3,840
Security Screening Services	1,848	1,223	250	—	—
Subtotal- In-terminal	228,697	218,752	199,650	187,774	169,244
Auto parking	104,274	96,613	102,813	108,507	99,401
Rent-a-car	82,607	84,156	89,575	90,059	85,658
Bus, limousine, and taxi	9,319	9,624	10,290	13,731	12,238
Transportation network company	59,590	44,338	33,678	8,897	—
Flyaway bus service	16,692	15,718	15,082	13,310	11,076
Subtotal- Off-terminal	272,482	250,449	251,438	234,504	208,373
Total concession revenue	501,179	469,201	451,088	422,278	377,617
Other operating revenue					
Sales and service	3,821	3,753	3,406	3,103	2,476
Miscellaneous	6,509	23,843	24,032	1,469	2,164
Total other operating revenue	10,330	27,596	27,438	4,572	4,640
Total operating revenue	<u>\$ 1,537,949</u>	<u>\$ 1,446,226</u>	<u>\$ 1,372,730</u>	<u>\$ 1,285,816</u>	<u>\$ 1,121,584</u>

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

Note: Statistical information includes no ONT activities in fiscal year 2018, four months ONT activities in fiscal year 2017 and full year's ONT activities for fiscal year 2016 and all preceding years as a result of the transfer of ONT operations during fiscal year 2017.



Los Angeles World Airports

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

Gross Concession Revenue Per Enplaned Passenger

Last Ten Fiscal Years Ended June 30

(amounts in thousands, except per enplaned passenger)

	2019	2018	2017	2016	2015
Los Angeles International Airport					
In-terminal					
Duty free	\$ 84,912	\$ 83,091	\$ 76,066	\$ 66,287	\$ 63,983
Commercial management concession	53,794	50,527	43,252	43,343	28,674
Food and beverage	25,464	22,598	23,172	22,746	25,598
Gifts and news	12,185	11,261	11,131	10,433	11,096
Advertising	31,676	31,612	27,977	26,437	22,553
Foreign exchange	11,769	11,887	9,149	8,003	7,093
Telecommunications	1,729	1,201	1,991	2,071	1,354
Luggage carts	1,563	1,588	1,959	2,636	2,644
Automated teller machines	3,745	3,750	3,750	3,750	3,750
Security Screening Services	1,848	1,223	250	—	—
Off-terminal					
Auto parking	104,274	96,613	96,697	94,086	85,803
Rent-a-car	82,607	84,156	87,433	83,299	78,556
Bus, limousine, and taxi	9,319	9,624	10,036	13,394	11,902
Transportation network company	59,590	44,338	33,678	8,897	—
Flyaway bus service	16,692	15,718	15,082	13,310	11,076
Total gross concession revenue	\$ 501,167	\$ 469,187	\$ 441,623	\$ 398,692	\$ 354,082
Total enplaned passengers	44,207	43,553	41,602	38,952	36,114
Gross concession revenue per enplaned passenger	\$ 11.34	\$ 10.77	\$ 10.62	\$ 10.24	\$ 9.80

	2014	2013	2012	2011	2010
Los Angeles International Airport					
In-terminal					
Duty free	\$ 55,756	\$ 50,409	\$ 45,434	\$ 36,743	\$ 26,338
Commercial management concession	9,078	30	—	—	—
Food and beverage	36,619	36,475	32,956	36,579	31,109
Gifts and news	21,353	21,912	17,282	17,998	16,713
Advertising	17,784	19,875	17,433	17,419	13,676
Foreign exchange	6,508	6,356	6,572	6,533	6,381
Telecommunications	850	732	976	1,714	1,629
Luggage carts	2,676	2,580	2,682	2,680	2,638
Automated teller machines	3,750	3,303	2,856	2,856	2,856
Security Screening Services	—	—	—	—	—
Off-terminal					
Auto parking	79,914	73,932	69,945	66,575	64,661
Rent-a-car	76,558	70,517	64,361	58,647	56,752
Bus, limousine, and taxi	10,550	9,041	8,519	6,531	5,917
Transportation network company	—	—	—	—	—
Flyaway bus service	9,915	8,977	9,751	8,920	8,241
Total gross concession revenue	\$ 331,311	\$ 304,139	\$ 278,767	\$ 263,195	\$ 236,911
Total enplaned passengers	34,334	32,524	31,519	30,281	29,003
Gross concession revenue per enplaned passenger	\$ 9.65	\$ 9.35	\$ 8.84	\$ 8.69	\$ 8.17



Los Angeles World Airports

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

Operating Expenses Per Enplaned Passenger

Last Ten Fiscal Years Ended June 30

(amounts in thousands, except per enplaned passenger)

	2019	2018	2017	2016	2015
Los Angeles International Airport					
Salaries and benefits	\$ 456,948	\$ 466,263	\$ 438,153	\$ 387,595	\$ 374,018
Contractual services	220,990	221,421	203,277	182,659	174,745
Materials and supplies	53,414	49,703	43,830	46,062	46,102
Utilities	46,191	39,433	36,043	36,181	38,355
Other operating expenses	23,559	20,825	25,782	20,738	21,205
Administrative charges					
allocated to ONT, VNY & PMD	(2,728)	(2,924)	(4,585)	(9,356)	(9,027)
Total operating expenses before depreciation	\$ 798,374	\$ 794,721	\$ 742,500	\$ 663,879	\$ 645,398
Total enplaned passengers	44,207	43,553	41,602	38,952	36,114
Operating expenses per enplaned passenger	\$ 18.06	\$ 18.25	\$ 17.85	\$ 17.04	\$ 17.87

	2014	2013	2012	2011	2010
Los Angeles International Airport					
Salaries and benefits	\$ 356,726	\$ 338,004	\$ 339,551	\$ 323,522	\$ 317,000
Contractual services	161,771	162,661	162,071	143,684	141,253
Materials and supplies	45,726	47,908	35,986	32,699	32,661
Utilities	39,089	32,472	30,664	29,606	28,832
Other operating expenses	16,093	18,383	22,023	21,712	21,213
Administrative charges allocated to ONT, VNY & PMD	(9,378)	(9,998)	(10,135)	(9,995)	(11,407)
Total operating expenses before depreciation	\$ 610,027	\$ 589,430	\$ 580,160	\$ 541,228	\$ 529,552
Total enplaned passengers	34,334	32,524	31,519	30,281	29,003
Operating expenses per enplaned passenger	\$ 17.77	\$ 18.12	\$ 18.41	\$ 17.87	\$ 18.26



Los Angeles World Airports

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

Landing Fee Rates

Last Ten Fiscal Years Ended June 30

Los Angeles International Airport

<u>Fiscal Year</u>	Permitted air carriers		Non-permitted air carriers	
	<u>Passenger</u>	<u>Cargo</u>	<u>Passenger</u>	<u>Cargo</u>
2019	\$4.75	\$3.72	\$5.94	\$4.65
2018	4.54	3.61	5.75	4.53
2017	4.34	3.45	5.63	4.43
2016	4.12	3.28	5.48	4.33
2015	4.27	3.51	5.59	4.56
2014	4.33	3.57	5.75	4.73
2013	4.37	3.60	5.58	4.71
2012	4.24	3.56	5.45	4.46
2011	4.06	3.31	5.08	4.18
2010	3.74	3.02	5.09	4.16

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

Landing rates are adopted by the Board of Airport Commissioners and become effective beginning July 1 of each fiscal year. The adopted rates are based on budgeted operating revenue and expenses. A reconciliation between the actual amounts against the estimates used in initial calculation may result in a year-end adjustment to unbilled receivables. The landing rates for fiscal year 2019 represent the adopted rates which are subject to reconciliation by the end of calendar year 2019. The landing rates for fiscal years 2010 through 2018 represent the final reconciled rates.

This page intentionally left blank.



Los Angeles World Airports

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

Outstanding Debt by Type and Debt Ratio

Last Ten Fiscal Years Ended June 30

(amounts in thousands, except per enplaned passenger)

	2019	2018	2017	2016	2015
Los Angeles International Airport					
Outstanding debt					
Revenue bonds after premium & discount	\$ 7,842,777	\$ 6,081,096	\$ 5,323,476	\$ 4,919,100	\$ 4,299,262
Debt service-revenue bonds					
Principal	\$ 122,760	\$ 107,850	\$ 96,200	\$ 81,700	\$ 72,390
Interest ⁽¹⁾	258,970	237,081	229,481	196,552	184,017
Total debt service	\$ 381,730	\$ 344,931	\$ 325,681	\$ 278,252	\$ 256,407
Total enplaned passengers	44,207	43,553	41,602	38,952	36,114
Outstanding debt per enplaned passenger	\$ 177.41	\$ 139.63	\$ 127.96	\$ 126.29	\$ 119.05
Debt service per enplaned passenger	\$ 8.64	\$ 7.92	\$ 7.83	\$ 7.14	\$ 7.10

	2014	2013	2012	2011	2010
Los Angeles International Airport					
Outstanding debt					
Revenue bonds after premium & discount	\$ 3,982,811	\$ 3,788,736	\$ 3,571,753	\$ 3,620,397	\$ 2,563,489
Debt service-revenue bonds					
Principal	\$ 53,220	\$ 38,250	\$ 44,985	\$ 38,670	\$ 21,205
Interest ⁽¹⁾	157,758	91,258	86,019	80,655	26,770
Total debt service	\$ 210,978	\$ 129,508	\$ 131,004	\$ 119,325	\$ 47,975
Total enplaned passengers	34,334	32,524	31,519	30,281	29,003
Outstanding debt per enplaned passenger	\$ 116.00	\$ 116.49	\$ 113.32	\$ 119.56	\$ 88.39
Debt service per enplaned passenger	\$ 6.14	\$ 3.98	\$ 4.16	\$ 3.94	\$ 1.65

1. LAWA early implemented GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period, in fiscal year 2019 and adopted the provisions to recognize the interest costs incurred before the end of a construction period as an expense in the period in which the cost is incurred. Accordingly, there was no capitalized interest in fiscal year 2019. Prior to fiscal year 2019, the interest expenses were net of capitalized amount.



Los Angeles World Airports

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

Revenue Bonds Debt Service Coverage

Last Ten Fiscal Years Ended June 30

(amounts in thousands, except debt service coverage)

	2019	2018	2017	2016	2015
Los Angeles International Airport					
Operating revenue	\$ 1,514,367	\$ 1,422,404	\$ 1,328,689	\$ 1,206,612	\$ 1,045,800
Adjustments to arrive at pledged revenue ⁽¹⁾	(566,043)	(628,551)	(593,166)	(508,489)	(533,821)
Net pledged revenue	<u>\$ 948,324</u>	<u>\$ 793,853</u>	<u>\$ 735,523</u>	<u>\$ 698,123</u>	<u>\$ 511,979</u>
Debt service, principal and interest					
Senior lien bonds	\$ 249,065	\$ 250,039	\$ 249,044	\$ 216,164	\$ 201,193
Subordinate lien bonds	126,760	94,892	76,637	62,088	55,214
Total debt service	<u>\$ 375,825</u>	<u>\$ 344,931</u>	<u>\$ 325,681</u>	<u>\$ 278,252</u>	<u>\$ 256,407</u>
Debt service coverage (GAAP basis)					
Senior lien bonds	3.81	3.17	2.95	3.23	2.55
Subordinate lien bonds	5.52	5.73	6.35	7.76	5.63
Total bonds	2.52	2.30	2.26	2.51	2.00
Debt service coverage (Bond indenture basis) ⁽²⁾					
Senior lien bonds	7.90	5.77	4.71	6.23	3.82
Subordinate lien bonds	5.27	5.40	5.93	7.74	5.61
Total bonds	3.42	3.06	2.90	3.72	2.54
PFCs to pay for debt service on certain bonds	\$ 147,680	\$ 135,985	\$ 117,985	\$ 123,954	\$ 90,956
Non-cash pension and OPEB expenses	\$ 11,324	\$ 10,268	\$ 17,179	\$ —	\$ —

	2014	2013	2012	2011	2010
Los Angeles International Airport					
Operating revenue	\$ 961,729	\$ 865,473	\$ 822,090	\$ 767,844	\$ 655,701
Adjustments to arrive at pledged revenue ⁽¹⁾	(489,291)	(542,930)	(519,677)	(492,571)	(503,710)
Net pledged revenue	<u>\$ 472,438</u>	<u>\$ 322,543</u>	<u>\$ 302,413</u>	<u>\$ 275,273</u>	<u>\$ 151,991</u>
Debt service, principal and interest					
Senior lien bonds	\$ 159,062	\$ 79,886	\$ 85,753	\$ 79,095	\$ 24,710
Subordinate lien bonds	51,916	49,622	45,251	40,230	23,265
Total debt service	<u>\$ 210,978</u>	<u>\$ 129,508</u>	<u>\$ 131,004</u>	<u>\$ 119,325</u>	<u>\$ 47,975</u>
Debt service coverage (GAAP basis)					
Senior lien bonds	2.97	4.04	3.53	3.48	6.15
Subordinate lien bonds	6.04	4.89	4.79	4.88	5.47
Total bonds	2.24	2.49	2.31	2.31	3.17
Debt service coverage (Bond indenture basis) ⁽²⁾					
Senior lien bonds	6.01	6.33	4.58	4.26	6.15
Subordinate lien bonds	6.02	4.86	4.76	4.83	5.33
Total bonds	3.28	3.02	2.61	2.54	3.13
PFCs to pay for debt service on certain bonds	\$ 96,502	\$ 34,400	\$ 25,176	\$ 19,000	\$ —
Non-cash pension and OPEB expenses	\$ —	\$ —	\$ —	\$ —	\$ —

1. Adjustments include BABs subsidy; nonoperating TSA revenue; interest income net of PFCs, CFCs and construction funds; M&O expenses net of PFCs funded, and non-cash pension and OPEB expenses. LAX has received approval from FAA to collect and use PFCs to pay for debt service on certain bonds.
2. Based on the bond indenture provisions, calculations of the senior lien bonds debt service excludes PFCs reimbursements, while the subordinate lien bonds debt service excludes capitalized interest, but includes commercial paper principal (effective fiscal year 2017) and interest expenses.



Los Angeles World Airports

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

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

Carrier	2019			2018			2017		
	Landing	% to	Rank	Landing	% to	Rank	Landing	% to	Rank
	weight	total		weight	total		weight	total	
Los Angeles International Airport									
American Airlines ⁽⁴⁾	10,443,496	16.1 %	1	10,127,508	15.8 %	1	10,389,870	16.6 %	1
Delta Airlines ⁽¹⁾	8,472,919	13.1 %	2	8,256,339	12.9 %	2	8,046,001	12.8 %	2
United Airlines ⁽³⁾⁽⁵⁾	7,598,169	11.7 %	3	7,385,299	11.5 %	3	7,121,940	11.4 %	3
Southwest Airlines	5,527,878	8.5 %	4	5,640,799	8.8 %	4	5,491,352	8.8 %	4
Alaska Airlines ⁽²⁾	3,792,600	5.9 %	5	4,076,436	6.3 %	5	1,897,388	3.0 %	7
Federal Express	2,081,790	3.2 %	6	2,045,342	3.2 %	6	2,068,855	3.3 %	5
Spirit Airlines	1,246,310	1.9 %	7	1,283,316	2.0 %	7	1,344,172	2.1 %	8
Qantas Airways	1,148,143	1.8 %	8	1,188,312	1.9 %	8	1,171,352	1.9 %	9
JetBlue Airways	1,099,130	1.7 %	9	1,039,622	1.6 %	10	916,512	1.5 %	12
Korean Airlines	1,052,664	1.6 %	10	1,078,306	1.7 %	9	1,073,416	1.7 %	11
Virgin America ⁽²⁾	—	—%	—	—	—%	—	2,048,950	3.3 %	6
Cathay Pacific	—	—%	—	—	—%	—	1,135,572	1.8 %	10
US Airways ⁽⁴⁾	—	—%	—	—	—%	—	—	—%	—
Skywest Airlines ⁽⁵⁾	—	—%	—	—	—%	—	—	—%	—
Continental Airlines ⁽³⁾	—	—%	—	—	—%	—	—	—%	—
Northwest Airlines ⁽¹⁾	—	—%	—	—	—%	—	—	—%	—
All Others	22,283,684	34.5 %	—	22,105,329	34.3 %	—	19,930,046	31.8 %	—
Total	64,746,783			64,226,608			62,635,426		
Change from									
prior year	0.8 %			2.5 %			5.9 %		

Carrier	2016			2015			2014		
	Landing	% to	Rank	Landing	% to	Rank	Landing	% to	Rank
	weight	total		weight	total		weight	total	
Los Angeles International Airport									
American Airlines ⁽⁴⁾	9,557,554	16.1 %	1	7,184,885	13.1 %	3	7,042,141	13.4 %	2
Delta Airlines ⁽¹⁾	8,171,783	13.8 %	2	7,479,719	13.6 %	1	6,670,030	12.7 %	3
United Airlines ⁽³⁾⁽⁵⁾	7,181,910	12.1 %	3	7,447,741	13.5 %	2	7,947,887	15.1 %	1
Southwest Airlines	5,203,678	8.8 %	4	4,977,130	9.1 %	4	4,637,202	8.8 %	4
Alaska Airlines ⁽²⁾	1,955,974	3.3 %	5	1,658,662	3.0 %	7	1,718,274	3.3 %	7
Federal Express	1,898,211	3.2 %	7	1,795,385	3.3 %	6	1,740,088	3.3 %	6
Spirit Airlines	987,642	1.7 %	11	508,438	0.9 %	24	385,800	0.7 %	27
Qantas Airways	1,328,707	2.2 %	8	1,373,361	2.5 %	8	1,304,899	2.5 %	8
JetBlue Airways	766,158	1.3 %	13	643,914	1.2 %	18	471,412	0.9 %	23
Korean Airlines	1,132,512	1.9 %	10	1,252,622	2.3 %	9	1,179,599	2.2 %	9
Virgin America ⁽²⁾	1,943,146	3.3 %	6	1,860,734	3.4 %	5	2,070,384	3.9 %	5
Cathay Pacific	1,142,039	1.9 %	9	1,113,726	2.0 %	11	893,119	1.7 %	11
US Airways ⁽⁴⁾	—	—%	—	1,173,526	2.1 %	10	1,066,394	2.0 %	10
Skywest Airlines ⁽⁵⁾	—	—%	—	—	—%	—	—	—%	—
Continental Airlines ⁽³⁾	—	—%	—	—	—%	—	—	—%	—
Northwest Airlines ⁽¹⁾	—	—%	—	—	—	—	—	—	—
All Others	17,897,268	30.4 %	—	16,520,429	30.0 %	—	15,445,428	29.5 %	—
Total	59,166,582			54,990,272			52,572,657		
Change from									
prior year	7.6 %			4.6 %			4.7 %		



Airline Landing Weight Trend (continued)

Last Ten Fiscal Years Ended June 30

(landing weight in thousand pounds)

Carrier	2013			2012			2011		
	Landing weight	% to total	Rank	Landing weight	% to total	Rank	Landing weight	% to total	Rank
Los Angeles International Airport									
American Airlines ⁽⁴⁾	6,529,038	13.0%	2	5,886,364	11.8%	1	5,570,846	11.5%	2
Delta Airlines ⁽¹⁾	5,650,964	11.3%	3	4,641,153	9.3%	3	4,487,225	9.3%	4
United Airlines ⁽³⁾⁽⁵⁾	6,771,183	13.5%	1	5,186,869	10.4%	2	5,584,145	11.5%	1
Southwest Airlines	4,641,112	9.2%	4	4,601,662	9.2%	4	4,737,254	9.8%	3
Alaska Airlines ⁽²⁾	1,611,321	3.2%	7	1,518,762	3.0%	9	1,433,511	3.0%	7
Federal Express	1,662,347	3.3%	6	1,628,897	3.3%	8	1,605,640	3.3%	6
Spirit Airlines	237,903	0.5%	40	305,118	0.6%	34	152,076	0.3%	54
Qantas Airways	1,275,920	2.5%	8	1,331,893	2.7%	10	1,243,114	2.6%	10
JetBlue Airways	454,116	0.9%	23	378,430	0.8%	28	280,734	0.6%	35
Korean Airlines	1,189,653	2.4%	9	1,200,835	2.4%	11	1,219,303	2.5%	11
Virgin America ⁽²⁾	1,905,138	3.8%	5	1,634,820	3.3%	7	1,331,658	2.8%	9
Cathay Pacific	782,914	1.6%	12	778,532	1.6%	13	764,462	1.6%	13
US Airways ⁽⁴⁾	987,982	2.0%	11	1,003,778	2.0%	12	1,023,668	2.1%	12
Skywest Airlines ⁽⁵⁾	—	—%	—	2,295,517	4.6%	5	2,187,953	4.5%	5
Continental Airlines ⁽³⁾	1,142,672	2.3%	10	1,745,543	3.5%	6	1,402,854	2.9%	8
Northwest Airlines ⁽¹⁾	—	—%	—	—	—%	—	—	—%	—
All Others	15,364,564	30.5%	—	15,859,459	31.5%	—	15,397,909	31.7%	—
Total	50,206,827			49,997,632			48,422,352		
Change from prior year		0.4%			3.3%			2.3%	

Carrier	2010		
	Landing weight	% to total	Rank
Los Angeles International Airport			
American Airlines ⁽⁴⁾	5,616,948	11.9 %	1
Delta Airlines ⁽¹⁾	3,504,530	7.4 %	4
United Airlines ⁽³⁾⁽⁵⁾	5,602,302	11.8 %	2
Southwest Airlines	4,744,526	10.0 %	3
Alaska Airlines ⁽²⁾	1,365,625	2.9 %	8
Federal Express	1,523,405	3.2 %	6
Spirit Airlines	75,072	0.2 %	68
Qantas Airways	1,426,256	3.0 %	7
JetBlue Airways	171,962	0.4 %	47
Korean Airlines	1,249,739	2.6 %	10
Virgin America ⁽²⁾	1,079,918	2.3 %	11
Cathay Pacific	699,675	1.5 %	17
US Airways ⁽⁴⁾	987,948	2.1 %	12
Skywest Airlines ⁽⁵⁾	1,865,047	3.9 %	5
Continental Airlines ⁽³⁾	1,305,333	2.8 %	9
Northwest Airlines ⁽¹⁾	826,879	1.7 %	14
All Others	15,291,777	32.3 %	—
Total	47,336,942		
Change from prior year		1.4 %	

(1) Northwest Airlines merged into Delta Air Lines and the integration was completed in January 2010.

(2) Alaska Airlines merged with Virgin America and combined data was reported starting FY 2018.

(3) United Airlines merged with Continental Airlines in early 2014.

(4) American Airlines (AA) merged with US Airways and combined data was reported starting FY 2016.

(5) Skywest data was reported under the carriers it operated for starting FY 2013.

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



Los Angeles World Airports

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

Enplaned Passenger Data Last Ten Fiscal Years Ended June 30

Carrier	2019			2018			2017		
	Enplaned passengers	% to total	Rank	Enplaned passengers	% to total	Rank	Enplaned passengers	% to total	Rank
Los Angeles International Airport									
American Airlines ⁽⁷⁾	8,470,061	19.2%	1	8,124,101	18.7%	1	8,002,129	19.2%	1
Delta Airlines ⁽¹⁾	7,624,050	17.2%	2	7,326,619	16.8%	2	6,838,256	16.4%	2
United Airlines ^{(5), (6)}	6,444,715	14.6%	3	6,254,908	14.4%	3	6,062,305	14.6%	3
Southwest Airlines	4,955,873	11.2%	4	4,969,888	11.4%	4	4,843,969	11.7%	4
Alaska Airlines ⁽²⁾	3,343,980	7.6%	5	3,656,694	8.4%	5	1,799,163	4.3%	5
Spirit Airlines	1,257,930	2.8%	6	1,259,622	2.9%	6	1,237,471	3.0%	7
JetBlue Airways	920,655	2.1%	7	886,227	2.0%	7	784,922	1.9%	8
Air Canada	772,434	1.7%	8	756,337	1.7%	8	712,467	1.7%	9
Qantas Airways	519,941	1.2%	9	542,085	1.2%	9	519,450	1.2%	10
Hawaiian Airlines	518,062	1.2%	10	497,753	1.1%	10	440,721	1.0%	11
Virgin America ⁽²⁾	—	—%	—	—	—%	—	1,725,332	4.1%	6
US Airways ^{(3), (7)}	—	—%	—	—	—%	—	—	—%	—
Skywest Airlines ⁽⁶⁾	—	—%	—	—	—%	—	—	—%	—
Continental Airlines ⁽⁵⁾	—	—%	—	—	—%	—	—	—%	—
Northwest Airlines ⁽¹⁾	—	—%	—	—	—%	—	—	—%	—
Mexicana Airlines ⁽⁴⁾	—	—%	—	—	—%	—	—	—%	—
All Others	9,379,763	21.2%	—	9,278,781	21.4%	—	8,635,939	20.9%	—
Total	44,207,464			43,553,015			41,602,124		
Change from prior year		1.5%			4.7%			6.8%	

Carrier	2016			2015			2014		
	Enplaned passengers	% to total	Rank	Enplaned passengers	% to total	Rank	Enplaned passengers	% to total	Rank
Los Angeles International Airport									
American Airlines ⁽⁷⁾	7,613,660	19.5 %	1	5,556,523	15.4 %	3	5,329,141	15.5 %	2
Delta Airlines ⁽¹⁾	6,550,711	16.8 %	2	6,020,280	16.7 %	2	5,038,929	14.7 %	3
United Airlines ^{(5), (6)}	6,020,563	15.5 %	3	6,225,103	17.2 %	1	6,568,648	19.1 %	1
Southwest Airlines	4,446,133	11.4 %	4	4,212,706	11.7 %	4	3,796,292	11.1 %	4
Alaska Airlines ⁽²⁾	1,763,171	4.5 %	5	1,652,816	4.6 %	5	1,741,179	5.1 %	5
Spirit Airlines	956,783	2.5 %	7	510,478	1.4 %	11	369,236	1.1 %	11
JetBlue Airways	675,589	1.7 %	8	570,938	1.6 %	10	446,183	1.3 %	10
Air Canada	660,642	1.7 %	9	597,050	1.7 %	9	495,695	1.4 %	9
Qantas Airways	596,257	1.5 %	10	614,333	1.7 %	8	602,278	1.8 %	8
Hawaiian Airlines	441,634	1.1 %	11	422,871	1.2 %	12	339,177	1.0 %	13
Virgin America ⁽²⁾	1,607,495	4.1 %	6	1,534,368	4.2 %	6	1,658,310	4.8 %	6
US Airways ^{(3), (7)}	—	—%	—	1,201,325	3.3 %	7	1,035,543	3.0 %	7
Skywest Airlines ⁽⁶⁾	—	—%	—	—	—%	—	—	—%	—
Continental Airlines ⁽⁵⁾	—	—%	—	—	—%	—	—	—%	—
Northwest Airlines ⁽¹⁾	—	—%	—	—	—%	—	—	—%	—
Mexicana Airlines ⁽⁴⁾	—	—%	—	—	—%	—	—	—%	—
All Others	7,619,729	19.7 %	—	6,995,534	19.3 %	—	6,912,927	20.1 %	—
Total	38,952,367			36,114,325			34,333,538		
Change from prior year		7.9 %			5.2 %			5.6 %	



Enplaned Passenger Data (continued)

Last Ten Fiscal Years Ended June 30

Carrier	2013			2012			2011		
	Enplaned passengers	% to total	Rank	Enplaned passengers	% to total	Rank	Enplaned passengers	% to total	Rank
Los Angeles International Airport									
American Airlines ⁽⁷⁾	5,058,105	15.6 %	2	4,598,923	14.6 %	1	4,304,325	14.2 %	1
Delta Airlines ⁽¹⁾	4,171,972	12.8 %	3	3,231,000	10.3 %	4	3,441,646	11.4 %	4
United Airlines ^{(5), (6)}	5,578,740	17.2 %	1	3,610,573	11.5 %	2	3,838,593	12.7 %	2
Southwest Airlines	3,703,743	11.4 %	4	3,516,770	11.2 %	3	3,512,432	11.6 %	3
Alaska Airlines ⁽²⁾	1,623,552	5.0 %	5	1,522,926	4.8 %	6	1,384,992	4.6 %	6
Spirit Airlines	225,908	0.7 %	22	265,973	0.8 %	19	139,504	0.5 %	32
JetBlue Airways	424,534	1.3 %	12	358,326	1.1 %	13	264,531	0.9 %	20
Air Canada	459,937	1.4 %	11	468,793	1.5 %	12	438,868	1.4 %	12
Qantas Airways	575,310	1.8 %	9	603,170	1.9 %	11	571,004	1.9 %	10
Hawaiian Airlines	323,104	1.0 %	15	235,502	0.7 %	24	240,006	0.8 %	23
Virgin America ⁽²⁾	1,569,289	4.8 %	6	1,387,310	4.4 %	8	1,085,506	3.6 %	8
US Airways ^{(3), (7)}	970,442	3.0 %	7	964,577	3.1 %	9	981,885	3.2 %	9
Skywest Airlines ⁽⁶⁾	—	—%	—	1,887,638	6.0 %	5	1,777,359	5.9 %	5
Continental Airlines ⁽⁵⁾	965,486	3.0 %	8	1,515,549	4.8 %	7	1,238,177	4.1 %	7
Northwest Airlines ⁽¹⁾	—	—%	—	—	—%	—	—	—%	—
Mexicana Airlines ⁽⁴⁾	—	—%	—	—	—%	—	80,708	0.3 %	44
All Others	6,874,056	21.1 %	—	7,352,094	23.4 %	—	6,981,003	22.9 %	—
Total	<u>32,524,178</u>			<u>31,519,124</u>			<u>30,280,539</u>		
Change from prior year		3.2 %			4.1 %			4.4 %	

	2010			
<u>Carrier</u>	Enplaned passengers	% to total	Rank	
Los Angeles International Airport				
American Airlines ⁽⁷⁾	4,257,396	14.7 %	1	
Delta Airlines ⁽¹⁾	2,704,832	9.3 %	4	(1) Northwest Airlines merged into Delta Air Lines
United Airlines ^{(5), (6)}	3,833,352	13.2 %	2	and the integration was completed in January 2010.
Southwest Airlines	3,389,180	11.7 %	3	(2) Alaska Airlines merged with Virgin America and combined data
Alaska Airlines ⁽²⁾	1,300,025	4.5 %	6	was reported starting FY 2018.
Spirit Airlines	69,098	0.2 %	48	(3) America West merged into US Airways in late 2005.
JetBlue Airways	151,538	0.5 %	33	(4) Following its filing for Chapter 15 bankruptcy,
Air Canada	416,345	1.4 %	14	Mexicana Airlines suspended its operations at
Qantas Airways	606,970	2.1 %	11	LAX in August 2010.
Hawaiian Airlines	186,449	0.6 %	28	(5) United Airlines merged with Continental Airlines in
Virgin America ⁽²⁾	893,567	3.1 %	9	early 2014.
US Airways ^{(3), (7)}	958,824	3.3 %	8	(6) Skywest data was reported under the carriers it operated
Skywest Airlines ⁽⁶⁾	1,441,834	5.0 %	5	for starting FY 2013.
Continental Airlines ⁽⁵⁾	1,214,520	4.2 %	7	(7) American Airlines merged with US Airways
Northwest Airlines ⁽¹⁾	620,804	2.1 %	10	and combined data was reported starting FY 2016.
Mexicana Airlines ⁽⁴⁾	529,007	1.8 %	12	
All Others	6,429,401	22.3 %	—	
Total	29,003,142			Note: The list presents top ten airlines for each year
Change from				and their rank throughout the ten-year period.
prior year		2.4 %		

(1) Northwest Airlines merged into Delta Air Lines and the integration was completed in January 2010.

(2) Alaska Airlines merged with Virgin America and combined data was reported starting FY 2018.

(3) America West merged into US Airways in late 2005.

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

(5) United Airlines merged with Continental Airlines in early 2014.

(6) Skywest data was reported under the carriers it operated for starting FY 2013.

(7) American Airlines merged with US Airways and combined data was reported starting FY 2016.

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

Los Angeles World Airports

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

Employee Trend

Last Ten Fiscal Years Ended June 30

Division/Group	2019	2018	2017	2016	2015
Chief Development Officer	243	231	144	150	166
Chief Environmental & Sustainability Officer	62	54	58	58	44
Chief External Affairs Officer	63	57	59	62	68
Chief Financial Officer	190	106	108	104	156
Chief Operating Officer	58	105	94	94	64
Commercial Development - COO	61	56	56	50	55
Facilities Maintenance & Utilities - COO	1,227	1,267	1,318	1,290	1,244
Human Resources Services - CFO	123	134	91	83	83
Information Management & Technology - COO	170	166	163	168	175
Operations & Emergency Management - COO	371	385	393	381	449
Public Safety & Security	1,098	1,086	1,094	1,080	935
Total	3,666	3,647	3,578	3,520	3,439

Division/Group	2014	2013	2012	2011	2010
Chief Development Officer	56	64	60	36	36
Chief Environmental & Sustainability Officer	—	—	—	—	—
Chief External Affairs Officer	83	77	77	81	90
Chief Financial Officer	157	143	135	137	137
Chief Operating Officer	65	63	92	85	89
Commercial Development - COO	62	66	58	61	55
Facilities Maintenance & Utilities - COO	1,442	1,457	1,456	1,461	1,441
Human Resources Services - CFO	79	73	70	69	66
Information Management & Technology - COO	162	163	162	161	160
Operations & Emergency Management - COO	473	526	536	536	556
Public Safety & Security	912	903	906	908	905
Total	3,491	3,535	3,552	3,535	3,535



Los Angeles World Airports

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

Schedule of Capital Assets

Last Ten Fiscal Years Ended June 30

(amounts in thousands)

	2019	2018	2017	2016	2015
Total Capital Assets					
Land and land clearance	\$ 1,272,320	\$ 1,225,777	\$ 1,014,058	\$ 1,060,503	\$ 970,990
Air easements	44,472	44,472	44,472	46,975	46,975
Emission reduction credits	2,772	2,772	3,070	2,853	5,918
Construction work in progress	2,226,323	1,542,910	1,207,826	1,647,583	2,473,804
Capital assets not depreciated	3,545,887	2,815,931	2,269,426	2,757,914	3,497,687
Buildings	3,611,562	3,610,503	3,605,063	3,258,154	2,510,102
Improvements	6,436,158	5,707,689	4,840,025	4,165,542	3,301,026
Equipment and vehicles	303,945	205,003	253,541	274,703	248,908
Others	38,087	38,087	38,087	38,087	138,395
Capital assets depreciated	10,389,752	9,561,282	8,736,716	7,736,486	6,198,431
Accumulated depreciation	(2,972,951)	(2,571,374)	(2,259,852)	(2,256,696)	(2,238,647)
Net capital assets	\$ 10,962,688	\$ 9,805,839	\$ 8,746,290	\$ 8,237,704	\$ 7,457,471
Capital Assets Held for Leases					
Buildings and facilities	\$ 6,208,199	\$ 5,601,330	\$ 4,958,174	\$ 4,238,368	\$ 3,487,044
Accumulated depreciation	(1,278,883)	(1,050,231)	(850,205)	(799,561)	(607,779)
Net	4,929,316	4,551,099	4,107,969	3,438,807	2,879,265
Land	626,715	626,715	630,002	687,317	686,363
Total capital assets held for leases	\$ 5,556,031	\$ 5,177,814	\$ 4,737,971	\$ 4,126,124	\$ 3,565,628

	2014	2013	2012	2011	2010
Total Capital Assets					
Land and land clearance	\$ 970,990	\$ 970,990	\$ 872,057	\$ 834,124	\$ 829,956
Air easements	46,975	46,975	46,975	46,975	46,975
Emission reduction credits	5,918	5,918	5,918	5,918	5,918
Construction work in progress	1,932,822	2,854,349	2,027,552	1,976,232	1,790,155
Capital assets not depreciated	<u>2,956,705</u>	<u>3,878,232</u>	<u>2,952,502</u>	<u>2,863,249</u>	<u>2,673,004</u>
 Buildings	 2,365,058	 886,348	 827,911	 827,911	 827,911
Improvements	3,293,393	3,163,180	2,965,697	2,051,934	1,633,522
Equipment and vehicles	238,607	237,088	217,623	213,124	206,235
Others	134,266	118,526	111,016	100,979	94,231
Capital assets depreciated	<u>6,031,324</u>	<u>4,405,142</u>	<u>4,122,247</u>	<u>3,193,948</u>	<u>2,761,899</u>
 Accumulated depreciation	 (2,049,464)	 (1,897,516)	 (1,743,013)	 (1,597,355)	 (1,468,611)
Net capital assets	<u>\$ 6,938,565</u>	<u>\$ 6,385,858</u>	<u>\$ 5,331,736</u>	<u>\$ 4,459,842</u>	<u>\$ 3,966,292</u>
 Capital Assets Held for Leases					
Buildings and facilities	\$ 3,350,207	\$ 1,845,187	\$ 1,748,987	\$ 1,068,927	\$ 841,811
Accumulated depreciation	(614,881)	(562,696)	(505,895)	(463,618)	(431,793)
Net	<u>2,735,326</u>	<u>1,282,491</u>	<u>1,243,092</u>	<u>605,309</u>	<u>410,018</u>
Land	686,363	686,363	619,246	605,480	602,175
Total capital assets held for leases	<u>\$ 3,421,689</u>	<u>\$ 1,968,854</u>	<u>\$ 1,862,338</u>	<u>\$ 1,210,789</u>	<u>\$ 1,012,193</u>

Note: Statistical information for fiscal year 2016 and all preceding years includes activities relating to ONT. As a result of the transfer of ONT operations in fiscal year 2017, all information presented for fiscal years subsequent to 2016 include no ONT balances.



Los Angeles World Airports

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

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

Year	Los Angeles	Orange	Riverside	San Bernardino	Ventura	Total
2019	10,253,716	3,222,498	2,440,124	2,192,203	856,598	18,965,139
2018	10,254,658	3,213,275	2,412,536	2,171,517	857,415	18,909,401
2017	10,226,920	3,199,509	2,384,660	2,156,115	855,973	18,823,177
2016	10,185,851	3,174,945	2,350,992	2,136,242	854,886	18,702,916
2015	10,155,753	3,155,578	2,321,837	2,123,562	852,505	18,609,235
2014	10,098,952	3,131,411	2,295,798	2,104,088	848,621	18,478,870
2013	10,040,960	3,109,213	2,272,031	2,090,945	843,220	18,356,369
2012	9,972,649	3,076,373	2,246,951	2,076,145	836,774	18,208,892
2011	9,885,948	3,040,125	2,217,946	2,058,416	831,076	18,033,511
2010	9,818,605	3,010,232	2,189,641	2,035,210	823,318	17,877,006

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

Los Angeles World Airports

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

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

Year	Los Angeles	Orange	Riverside	San Bernardino	Ventura	Total
2017	\$ 593,741,110	\$ 208,653,019	\$ 95,140,992	\$ 83,741,561	\$ 50,550,958	\$ 1,031,827,640
2016	577,071,787	199,441,555	90,273,976	80,171,722	48,381,341	995,340,381
2015	560,484,548	193,358,936	86,092,487	76,867,970	47,194,829	963,998,770
2014	525,088,691	179,141,029	80,637,967	71,996,839	44,708,130	901,572,656
2013	491,016,518	169,986,956	76,493,787	67,618,657	42,313,336	847,429,254
2012	492,424,430	170,609,148	74,075,529	65,833,489	41,704,333	844,646,929
2011	459,098,093	157,160,243	71,949,357	64,038,851	39,908,241	792,154,785
2010	428,045,182	150,072,420	67,568,045	60,332,835	37,868,923	743,887,405
2009	409,793,204	139,839,338	65,369,622	58,649,777	36,256,168	709,908,109
2008	422,807,196	147,963,256	66,723,925	60,412,103	37,152,444	735,058,924

Source: US Department of Commerce, Bureau of Economic Analysis, Data subsequent to 2017 is not available.



Los Angeles World Airports

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

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

Year	Los Angeles	Orange	Riverside	San Bernardino	Ventura	Weighted Average
2017	\$ 58,419	\$ 65,400	\$ 39,261	\$ 38,816	\$ 59,178	\$ 54,407
2016	56,851	62,763	37,827	37,514	56,846	52,637
2015	55,366	61,178	36,603	36,245	55,594	51,213
2014	52,130	57,110	34,732	34,218	52,925	48,205
2013	49,010	54,594	33,383	32,404	50,363	45,538
2012	49,459	55,296	32,707	31,703	49,937	45,709
2011	46,439	51,469	32,179	31,051	48,025	43,154
2010	43,569	49,740	30,685	29,557	45,885	40,853
2009	41,869	46,813	30,451	29,122	44,479	39,366
2008	43,431	50,028	31,627	30,150	46,075	41,118

Source: US Department of Commerce, Bureau of Economic Analysis. Data subsequent to 2017 is not available.

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

Los Angeles World Airports

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

Air Trade Area Unemployment Rate

(Five-County Service Area)

(with comparative Statewide and Nationwide rates)

Last Ten Years

(amounts in percent)

Year	Los Angeles	Orange	Riverside	San Bernardino	Ventura	California	U.S.
2019 (1)	4.6	3.3	4.8	4.6	4.0	4.2	3.7
2018	4.7	2.9	4.4	4.0	3.8	4.5	3.9
2017	4.7	3.5	5.2	4.9	4.5	4.8	4.1
2016	5.3	4.0	6.1	5.8	5.2	5.5	4.7
2015	6.6	4.5	6.7	6.4	5.6	6.2	5.0
2014	8.3	5.5	8.2	8.0	6.6	7.5	5.6
2013	9.8	6.6	9.9	9.8	7.9	8.9	6.7
2012	10.9	7.9	11.6	11.4	9.1	10.4	7.9
2011	12.2	9.1	13.2	12.9	10.2	11.7	8.5
2010	12.5	9.7	13.8	13.5	10.8	12.2	9.3

Sources: California Employment Development Department for county rates.

U.S. Department of Labor for nationwide and statewide rates.

(1) Rates published in August 2019



Los Angeles World Airports

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

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

Employer	2019			2010		
	Employees	Rank ¹	Percentage	Employees	Rank ¹	Percentage
Kaiser Permanente	40,309	1	0.8%	32,700	1	0.8%
University of Southern California	21,710	2	0.4%	15,121	3	0.4%
Northrop Grumman Corp.	18,000	3	0.4%	19,000	2	0.4%
Providence Health & Services	15,952	4	0.3%	9,960	10	0.2%
Target Corporation	15,000	5	0.3%	13,000	6	0.3%
Cedars-Sinai Medical Center	14,713	6	0.3%	10,467	8	0.2%
Allied Universal	13,972	7	0.3%	--	--	--
Ralphs/Food 4 Less/Kroger	13,271	8	0.3%	13,500	5	0.3%
Walt Disney Co	13,000	9	0.3%	--	--	--
NBC Universal	12,000	10	0.2%	--	--	--
Boeing Co.	--	--	--	13,623	4	0.3%
Bank of America	--	--	--	12,000	7	0.3%
Home Depot	--	--	--	10,000	9	0.2%
All Others	4,718,573	--	96.4%	4,152,929	--	96.6%
	<u>4,896,500</u> ²		<u>100.0%</u>	<u>4,302,300</u> ²		<u>100.0%</u>

Sources:

¹ Los Angeles Business Journal (LABJ) - The information on this list was provided by representatives of the employers themselves. Companies are ranked by the current number of full-time employees in L.A. County. Several companies may have qualified for this list, but failed to submit information or do not break out local employment data.

² <http://www.labormarketinfo.edd.ca.gov>

Compliance Section

2019

Comprehensive Annual Financial Report
Los Angeles World Airports



Compliance Section

2019

Comprehensive Annual Financial Report
Los Angeles World Airports





Report of Independent Auditors on Compliance with Requirements that Could Have a Direct and Material Effect on the Passenger Facility Charge Program, Report on Internal Control Over Compliance in Accordance with the *Passenger Facility Charge Program Audit Guide for Public Agencies*, and Report on the Schedule of Passenger Facility Charge Revenues and Expenditures

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

Report on Compliance for the Passenger Facility Charge Program

We have audited Los Angeles World Airports' (Department of Airports of the City of Los Angeles, California) ("LAWA"), an Enterprise Fund of the City of Los Angeles, compliance with the types of compliance requirements described in the *Passenger Facility Charge Program Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (the "Guide"), that could have a direct and material effect on its Passenger Facility Charge ("PFC") program for the year ended June 30, 2019.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions applicable to the PFC program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the PFC program based on our audit of the types of compliance requirements referred to above. 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 types of compliance requirements referred to above that could have a direct and material effect on the PFC program occurred. An audit includes examining, on a test basis, evidence about LAWA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the PFC program. However, our audit does not provide a legal determination of LAWA's compliance.

Opinion on PFC Program

In our opinion, LAWA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its PFC program for the year ended June 30, 2019.



Report on Internal Control Over Compliance

Management of LAWA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered LAWA's internal control over compliance with the types of requirements that could have a direct and material effect on the PFC program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of LAWA's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

Report on the Schedule of Passenger Facility Charge Revenues and Expenditures

We have audited the financial statements of LAWA, an Enterprise Fund of the City of Los Angeles, as of and for the year ended June 30, 2019, and the related notes to the financial statements which collectively comprise LAWA's basic financial statements. We have issued our report thereon dated October 28, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of passenger facility charge revenues and expenditures is presented for purposes of additional analysis as required by the Guide and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic 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 schedule of passenger facility charge revenues and expenditures is fairly stated in all material respects in relation to the basic financial statements as a whole.

Moss Adams LLP

Los Angeles, California
October 28, 2019

Los Angeles World Airports

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

Schedule of Passenger Facility Charge Revenues and Expenditures For the Fiscal Years Ended June 30, 2019 and 2018 (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 July 1, 2017	\$ 2,282,374	\$ 209,050	\$ 2,491,424	\$ 2,038,132	\$ 453,292
Fiscal year 2017-18 transactions					
Quarter ended September 30, 2017 Quarter	40,884	1,683	42,567	166,741	(124,174)
ended December 31, 2017 Quarter ended	38,238	1,026	39,264	(26,614)	65,878
March 31, 2018	49,057	1,240	50,297	118,908	(68,611)
Quarter ended June 30, 2018	43,252	1,430	44,682	34,659	10,023
Program to date as of June 30, 2018	2,453,805	214,429	2,668,234	2,331,826	336,408
Fiscal year 2018-19 transactions					
Quarter ended September 30, 2018 Quarter	42,438	1,423	43,861	37,212	6,649
ended December 31, 2018 Quarter ended	38,956	1,400	40,356	34,756	5,600
March 31, 2019	48,440	1,556	49,996	37,178	12,818
Quarter ended June 30, 2019	43,266	1,852	45,118	27,856	17,262
Unexpended passenger facility charge revenues and interest earned June 30, 2019	<u>\$ 2,626,905</u>	<u>\$ 220,660</u>	<u>\$ 2,847,565</u>	<u>\$ 2,468,828</u>	<u>\$ 378,737</u>

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



Los Angeles World Airports

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

Notes to the Schedule of Passenger Facility Charge Revenues and Expenditures For the Fiscal Years Ended June 30, 2019 and 2018

1. General

The Aviation Safety and Capacity Expansion Act of 1990 (Public Law 101-508, Title II, Subtitle B) authorized the imposition of Passenger Facility Charges (PFCs) and use of the resulting revenue on Federal Aviation Administration (FAA) approved projects. The current PFC rate at LAX is \$4.50 per enplaned passenger. PFCs collection authorities approved by FAA were \$4.3 billion and \$4.2 billion at LAX as of June 30, 2019 and 2018, respectively.

The details are as follows (amounts in thousands):

Application number	Charge effective date*	2019 Amount approved for use	2018 Amount approved for use
96-02-U-00-LAX, closed 6/2/03	6/1/1993	\$ 116,371	\$ 116,371
96-03-C-00-LAX, closed 10/1/08	7/1/1993	50,223	50,223
97-04-C-02-LAX	2/1/1998	90,000	90,000
97-04-C-03-LAX	2/1/1998	700,000	700,000
97-04-C-04-LAX	2/1/1998	88,334	—
05-05-C-00-LAX	12/1/2005	229,750	229,750
05-05-C-01-LAX	12/1/2005	468,030	468,030
07-06-C-00-LAX	10/1/2009	85,000	85,000
10-07-C-01-LAX	6/1/2012	1,848,284	1,848,284
11-08-C-00-LAX	3/1/2019	27,801	27,801
13-09-C-00-LAX	6/1/2019	44,379	44,379
14-10-C-00-LAX	10/1/2019	516,091	516,091
15-11-U-00-LAX	3/1/2019	3,115	3,115
Total		<u>\$ 4,267,378</u>	<u>\$ 4,179,044</u>

* Based on FAA's Final Agency Decision and subject to change with actual collections and future collection authorities approved by FAA.

Note:

- In February 2018, FAA approved LAWA's amendment request that increased application number 97-04-C-03-LAX by \$90.0 million for the land acquisition component of the Noise Mitigation Project.
- In August 2018, FAA approved LAWA's amendment request that increased application number 97-04-C-04-LAX by \$88.3 million for updated cost of the Residential Soundproofing Project.

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	
		2019	2018
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
Noise Mitigation - Land Acquisitions	575,000	562,743	570,908
Noise Mitigation - Soundproofing	125,000	125,000	125,000
Noise Mitigation - Other Local Jurisdictions	178,334	87,487	90,000
Apron Lighting Upgrade	1,873	1,412	1,412
South Airfield Improvement Program (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 Monitoring and Management System	3,450	3,652	3,652
SAIP - Airfield Intersection Improvement	28,000	8,987	8,987
SAIP - Remote Boarding	12,500	8,218	8,218
TBIT Interior Improvements and Baggage Screening System	468,030	414,336	371,214
Implementation of IT Security Master Plan	56,573	32,807	32,807
Residential Soundproofing Phase II	35,000	34,141	34,141
Noise Mitigation - Other Local Jurisdictions Phase II	50,000	51,086	51,086
Bradley West	1,848,284	488,034	398,983
Lennox Schools Soundproofing Program	27,801	21,214	21,214
Inglewood USD Soundproofing Program	44,379	10,000	10,000
Terminal 6 Improvements	210,131	69,267	53,760
Elevators/Escalators/Moving Walkways Replacement	110,000	110,000	110,000
Midfield Satellite Concourse North Project	5,960	5,960	5,960
Central Utility Plant Replacement	190,000	190,000	190,000
Lennox Schools Soundproofing Program - Future Sites	3,115	—	—
Total	\$ 4,267,378	\$ 2,468,828	\$ 2,331,826

Notes to the Schedule of Passenger Facility Charge Revenues and Expenditures For the Fiscal Years Ended June 30, 2018 and 2017 (continued)

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 the Aircraft Noise Monitoring and Management System and the Noise Mitigation - Other Local Jurisdictions Phase II were in excess of authorized amounts. 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.

Report of Independent Auditors on Compliance with Requirements that Could Have a Direct and Material Effect on the Customer Facility Charge Program, Report on Internal Control Over Compliance in Accordance with the *California Civil Code Section 1939, as amended by Assembly Bill (AB) 2051*, and Report On the Schedule of Customer Facility Charge Revenues and Expenditures

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

Report on Compliance for the Customer Facility Charge Program

We have audited Los Angeles World Airports' (Department of Airports of the City of Los Angeles, California) ("LAWA"), an Enterprise Fund of the City of Los Angeles, compliance with the types of compliance requirements described in the *California Civil Code Section 1939, as amended by Assembly Bill (AB) 2051* (the "Code"), that could have a direct and material effect on its Customer Facility Charge ("CFC") program for the year ended June 30, 2019.

Management's Responsibility

Management is responsible for compliance with statutes, regulations, and the terms and conditions applicable to the CFC program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the CFC program based on our audit of the types of compliance requirements referred to above. 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 Code. Those standards and the Code require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the CFC program occurred. An audit includes examining, on a test basis, evidence about LAWA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the CFC program. However, our audit does not provide a legal determination of LAWA's compliance.

Opinion on CFC Program

In our opinion, LAWA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its CFC program for the year ended June 30, 2019.



Report on Internal Control Over Compliance

Management of LAWA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered LAWA's internal control over compliance with the types of requirements that could have a direct and material effect on the CFC program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Code, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of LAWA's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance 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 a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 requirements of the Code. Accordingly, this report is not suitable for any other purpose.

Report on the Schedule of Customer Facility Charge Revenues and Expenditures

We have audited the financial statements of LAWA, an Enterprise Fund of the City of Los Angeles, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise LAWA's basic financial statements. We have issued our report thereon dated October 28, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of customer facility charge revenues and expenditures is presented for purposes of additional analysis as required by the Code and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic 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 schedule of customer facility charge revenues and expenditures is fairly stated in all material respects in relation to the basic financial statements as a whole.

Moss Adams LLP

Los Angeles, California
October 28, 2019

Los Angeles World Airports

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

Schedule of Customer Facility Charge Revenues and Expenditures For the Fiscal Years Ended June 30, 2019 and 2018 (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 July 1, 2017	\$ 266,669	\$ 17,377	\$ 284,046	\$ 3,026	\$ 281,020
Fiscal year 2017-18 transactions					
Quarter ended September 30, 2017	8,756	848	9,604	—	9,604
Quarter ended December 31, 2017	7,758	921	8,679	—	8,679
Quarter ended March 31, 2018	16,096	1,027	17,123	—	17,123
Quarter ended June 30, 2018	23,149	1,175	24,324	—	24,324
Program to date as of June 30, 2018	322,428	21,348	343,776	3,026	340,750
Fiscal year 2018-19 transactions					
Quarter ended September 30, 2018	23,028	1,352	24,380	—	24,380
Quarter ended December 31, 2018	18,695	1,504	20,199	—	20,199
Quarter ended March 31, 2019	17,136	1,652	18,788	—	18,788
Quarter ended June 30, 2019	21,389	1,833	23,222	—	23,222
Unexpended customer facility charge revenues and interest earned June 30, 2019	<u>\$ 402,676</u>	<u>\$ 27,689</u>	<u>\$ 430,365</u>	<u>\$ 3,026</u>	<u>\$ 427,339</u>

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



Los Angeles World Airports

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

Notes to the Schedule of Customer Facility Charge Revenues and Expenditures For the Fiscal Years Ended June 30, 2019 and 2018

1. General

California law (California Government Code Sections 50474.3, 50474.21 and 50474.22, collectively, CFC Legislation), which authority was previously contained in California Civil Code Section 1936 et seq., allows airport operators to require rental car companies to collect a fee from rental car customers on behalf of the airport operator to pay for certain costs incurred by an airport operator for a consolidated rental car facility (ConRAC) and a common-use transportation system (CTS) that moves passengers between airport terminals and the ConRAC. The fee is referred to as Customer Facility Charges (CFCs). Revenue from the CFCs may not exceed the reasonable costs to finance, design, construct, operate, maintain or otherwise improve, as applicable, those facilities, systems and modifications. California CFC Legislation permits LAWA to require the collection by rental car companies of a CFC at a rate charged on a per-day basis up to \$9.00 per day (for up to 5 days), and CFCs collected by the rental car companies on behalf of LAWA are permitted under the California CFC Legislation to finance, design and construct the ConRAC; to finance, design, construct and operate the APM System, as well as acquiring vehicles for use in that system; and to finance, design and construct terminal modifications to accommodate the common-use transportation system.

LAWA is modernizing LAX to improve passenger quality-of-service and provide world class facilities for its customers. To further transform LAX and to address increasing levels of traffic congestion at and around LAX, LAWA is working on the Landside Access Modernization Program (LAMP) to implement a ground access system to LAX, which would include a seamless connection to the regional rail and transit system.

The LAMP program includes the following major project components:

- An Automated People Mover System (APM), including the acquisition of vehicles for the use in such System, with six APM stations connecting the Central Terminal Area (CTA) via an above-grade fixed guideway to new proposed ground transportation facilities (serving as the CTS for the ConRAC)
- A ConRAC designed to meet the needs of rental car companies serving LAX with access to the CTA via the APM
- Two Intermodal Transportation Facilities (ITFs) providing airport parking and pick-up and drop-off areas outside the CTA for private vehicles and commercial shuttles
- Roadway improvements designed to improve access to the proposed ConRAC, ITFs, the CTA, and other facilities and reduce traffic congestion in neighboring communities

In November 2001, in anticipation of constructing a ConRAC identified in LAX's master plan, the Board approved collection of CFCs of \$10.00 per rental contract and began collections in August 2007. On October 5, 2017, the Board authorized collection of an updated CFC pursuant to the California CFC Legislation to fund costs of a ConRAC and its share of a common-use transportation system (CTS) at LAX. The Board authorized collection of CFCs of \$7.50 per day for the first five days of each car rental contract, effective January 1, 2018, by rental car companies serving LAX. On June 20, 2019, the Board authorized collection of \$9.00 per day for the first five days of each car rental contract, effective September 1, 2019, by rental car companies serving LAX.

CFCs are recorded as nonoperating revenue and presented as restricted assets in the financial statements. CFCs collected, related interest earnings, and cumulative expenditures to date are summarized as follows (amounts in thousands):

	2019	2018
Amount collected	\$ 402,676	\$ 322,428
Interest earnings	27,689	21,348
Subtotal	430,365	343,776
Expenditures		
ConRAC planning and development costs	3,026	3,026
Unexpended CFCs revenue and interest earnings	\$ 427,339	\$ 340,750

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
Los Angeles, CA 90045-5803
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

Van Nuys Airport

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



As a covered entity under Title II of the Americans With Disability Act, the City of Los Angeles does not discriminate on the basis of disability and, upon request, will provide reasonable accommodation to ensure access to its programs, services and activities.