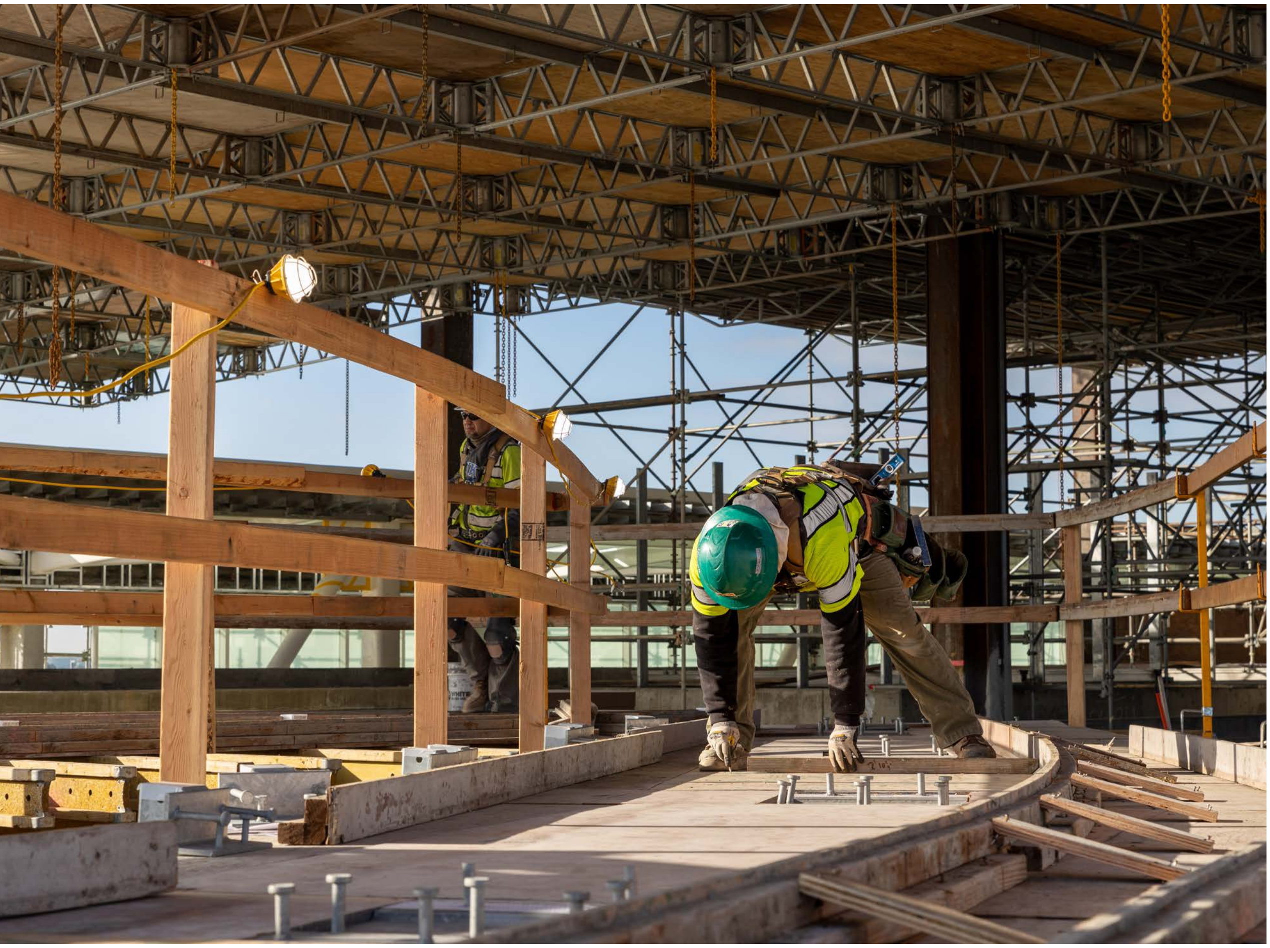
2023

LOS ANGELES INTERNATIONAL AIRPORT

ANNUAL FINANCIAL REPORT

FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

Department of Airports
Los Angeles, California



LOS ANGELES WORLD AIRPORTS
Department of Airports of the City of Los Angeles, California

LOS ANGELES INTERNATIONAL AIRPORT

ANNUAL FINANCIAL REPORT
Fiscal years ended June 30, 2023 and 2022

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LOS ANGELES INTERNATIONAL AIRPORT

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

Annual Financial Report
Fiscal years ended June 30, 2023 and 2022

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Message from the Interim Chief Executive Officer

I am pleased to present Los Angeles International Airport's (LAX) Annual Financial Report for the fiscal year ended June 30, 2023.

Moss Adams LLP, Certified Public Accountants (Moss Adams), audited LAX's financial statements. Based upon its audit, Moss Adams rendered an unmodified opinion that LAX's financial statements, as of and for the fiscal years ended June 30, 2023 and 2022, were fairly presented in conformity with accounting principles generally accepted in the United States of America (US GAAP). Moss Adams' report is on pages 1 and 2.

Moss Adams conducted an additional audit to determine LAX's compliance with the requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* and concluded that LAX complied in all material respects with the requirements that could have a material effect on its passenger facility charge program for the fiscal year ended June 30, 2023. Moss Adams' report is on pages 147 to 149.

Moss Adams also conducted a third audit to determine LAX's compliance with the requirements described in the California Civil Code Section 1939, as amended by Assembly Bill 2051, and concluded that LAX 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, 2023. Moss Adams' report is on pages 154 to 156. US GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of Management's Discussion and Analysis (MD&A). The MD&A is on pages 5 through 40.

The financial condition of LAX depends largely upon the demand for air transportation within the geographical area (the Air Trade Area) served by LAX and management decisions regarding operations and capital investment as they relate to market demand for travel. The Air Trade Area comprises the following five counties: Los Angeles, Orange, Riverside, San Bernardino, and Ventura. LAX is the largest airport in the Air Trade Area. Passenger and cargo traffic at LAX depend on the demographic characteristics and economic activity of the Air Trade Area. LAX is part of a system of Southern California airports - along with Van Nuys Airport and property retained for future aeronautical uses in the City of Palmdale - that are owned and operated by Los Angeles World Airports.

No airline dominates in shares of enplaned passengers or provides formal 'hubbing' activity at LAX. Delta Air Lines, American Airlines and United Airlines, the biggest three carriers, serving LAX, accounted for 19.2%, 15.6%, and 15.5%, respectively, of all enplaned passengers at LAX for fiscal year 2023. For fiscal year 2022, an estimated 84.7% of passengers at LAX represented originating and destination (O&D) passengers (that is, all passengers beginning or ending their trips at LAX). The remaining estimated 15.3% of passengers represented connections to or from regional markets as well as domestic connections to or from international markets. Historically, the level of connecting passengers at LAX is due primarily to: (i) LAX's role as a major gateway to numerous international markets; (ii) the geographical location of LAX in relation to numerous markets along the west coast of the United States; (iii) the significant number of nonstop flights to and from domestic markets; and (iv) the alliances among airlines serving LAX. As of January 2023, LAX provided scheduled service to 70 international destinations and 75 scheduled international destinations in October 2023.

According to Airports Council International (ACI) traffic statistics, in calendar year 2022, LAX ranked as the sixth busiest airport in the world in terms of total passengers and the ninth busiest airport in the world in terms of total cargo. According to ACI statistics, in calendar year 2019 (the last full year prior to the start of the COVID-19 pandemic), LAX ranked as the third busiest airport in the world in terms of total passengers and the thirteenth busiest airport in the world in terms of total cargo. Global travel restrictions due to the COVID-19 pandemic and LAX's share of international passengers relative to other large hub airports contributed to the change in rankings between 2019 and 2022. According to the U.S. DOT O&D Survey of Airline Passenger Traffic for calendar year

2022, LAX had the largest number of domestic O&D passengers in the U.S. O&D passengers begin and end their journeys at LAX, while connecting passengers transfer to other flights at LAX.

COVID-19 Impacts and Recovery

The pandemic caused by COVID-19 and the related restrictions and measures adopted to contain the spread of the virus adversely impacted both international and domestic travel and travel-related industries, including airlines and concessionaires serving LAWA, and have caused unemployment, labor shortages, supply chain issues, reductions in tourism, business travel and travel-related industries, and a contraction of global and national economies, among other issues.

Following the outbreak of COVID-19, airlines reported an unprecedented decrease in domestic and international air traffic, causing the cancellation of numerous flights. Likewise, many of LAWA's retail concessionaires either temporarily or permanently closed or reported substantial declines in sales. In addition to the impact on concessionaires, the reduction in air travel had an adverse effect on parking, transportation network companies, such as Uber and Lyft (each a TNC), ground transportation (such as taxi and limousine) and rental car revenues throughout LAWA.

Since late 2020, after several vaccines against COVID-19 were approved and began to be administered, enplanements around the nation (including at LAX) have seen significant improvement. However, there can be no assurances that there will not be a resurgence of COVID, with new variants of the disease emerging, and the ultimate economic effects of COVID-19 remain uncertain. Ongoing concerns about the continued spread or effects of the virus have and may result in some governments re-imposing travel restrictions, in particular as it relates to international air travel.

The actual impact and length of the COVID-19 pandemic on LAWA, its operations and its finances will depend on future events, including future events outside of its control, and actions by governments at all levels, domestic and abroad. LAWA cannot predict the duration or extent of the COVID-19 pandemic or any additional adverse impacts it may have on LAWA or its financial condition or operations. Airports in the United States were acutely impacted by the reductions in passenger volumes and flights, as well as by the broader economic activity reductions resulting from the COVID 19 pandemic.

In response to the COVID-19 pandemic, LAWA provided temporary relief to airlines and concessionaires and service providers at LAX, which included deferral of terminal and airfield fees payable from April through May 2020. LAWA also implemented a fee relief program for LAX concessionaires and service providers at LAX which provided for lower fees and deferrals in proportion to passenger traffic recovery levels in each terminal.

Additionally, in response to the COVID-19 pandemic, LAWA developed a multi-year plan (the Airline Cost Stabilization and Recovery Plan) to enhance the competitive position of LAX during and after the COVID-19 pandemic by lowering annual fixed costs at LAX through, among other things, a restructuring of certain debt service costs and managing rates and charges at LAX from calendar year 2020 through fiscal year 2023. The Airline Cost Stabilization and Recovery Plan included mitigation of increases in rates and charges for airlines due to reduced activity. Cost reductions and corresponding reductions in airline rates and charges were achieved by: (i) using a portion of the federal relief grants described below to pay certain LAX Maintenance and Operation Expenses and other eligible costs such as debt service, (ii) refunding and restructuring outstanding debt service on certain Senior Bonds and Subordinate Bonds (which lessened LAWA's near-term debt service payment obligations and increased debt service obligations in certain future fiscal years), and (iii) deferring and restructuring annual amortization charges of Department cash that has been spent on capital projects in airline cost centers.

Government Stimulus and Relief Measures in Response to the COVID-19 Pandemic

As a direct result of the COVID-19 pandemic, three separate bills were adopted by the U.S. Congress that provided or continue to provide financial aid to airports around the country, the airlines and other concessionaires.

LAWA was allocated approximately $323.6 million of federal grant assistance for LAX under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), which became law on March 27, 2020. LAWA used approximately $271.2 million and $52.4 million of CARES Act grants for payment of LAX maintenance and operation expenses and debt service payments in fiscal year 2021 and 2020, respectively.

The Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), which became law on December 27, 2020, provided additional direct aid to LAWA. LAWA was allocated approximately $72.3 million in Airport Coronavirus Response Grant Program funds pursuant to CRRSAA. LAWA used approximately $54.7 million and $8.4 million of CRRSAA grants for payment of LAX maintenance and operation expenses in fiscal year 2023 and 2022, respectively.

The American Rescue Plan Act (ARPA) became law on March 11, 2021. LAWA was awarded $303.8 million in American Rescue Grants pursuant to ARPA. LAWA received a total of $267.0 million in grant reimbursement in fiscal year 2023 for the eligible operation and maintenance and debt service expenses incurred since March 2021, including $3.5 million and $12.9 million for expenses incurred in fiscal years 2021 and 2022, respectively.

In fiscal year 2023, LAWA’s operations and revenues have shown strong improvement, although passenger traffic in LAX has not reached pre-COVID-19 levels of 87.9 million in fiscal year 2019. Total passengers at LAX have increased from 29.1 million in fiscal year 2021 to 60.7 million in fiscal year 2022 (an increase of 108.9%), and further increased to 71.0 million in fiscal year 2023 (an increase of 16.9%). Throughout the summer months in 2023, international traffic continued to show strong growth and saw overall robust passenger numbers compared to the same time last year. With new routes to international destinations coming online, LAX is optimistic that there will be continued growth in passenger numbers into the fall and winter holiday months. LAX continues to attract new international airlines and offer new destinations with additional airlines including Lynx Air, Flair Airlines, Cayman Airways and Air Premia planning to launch this fall and winter.

Passenger and other traffic activity highlights at LAX, together with analysis of LAX’s financial activities during the last three fiscal years, are discussed in the MD&A.

Initiatives and Developments

LAWA manages its capital development planning with a variety of tools, including a multi-year comprehensive planning tool (Capital Program). The Capital Program is a list of capital development projects compiled based on prioritized needs and resulting financial metrics, is used to inform decision makers and stakeholders of proposed capital expenditures and opportunity costs and is designed to assist with the development of long term funding plans while managing financial risk to LAWA. The Capital Program is updated periodically as projects are programmed for implementation. Projects in the Capital Program include: projects already underway but not yet completed at LAX; projects not yet underway at LAX but which are expected to be completed through 2033; and planning associated with potential future projects that are expected to commence beyond 2033.

LAWA plans to undertake certain Capital Program projects, or portions thereof, if demand at LAX warrants and such projects meet LAWA's financial metrics, which may include the availability of moneys from expected funding sources, financial market conditions, proposed capital structures for design-build-finance-operate-maintain arrangements, airline costs per enplaned passenger, debt service coverage and such other matters as may be determined from time to time. One such project is the redevelopment of the cargo facilities at LAX.

For purposes of this report, the Capital Program consists of both the current capital program (the Existing Capital Program) and the Next Capital Program. LAWA's published cost of the Existing Capital Program is approximately $15.1 billion. However, for purposes of the discussions of the Existing Capital Program in this report, $3.0 billion of costs included in the published Existing Capital Program have been excluded from such discussion because these costs include projects that have already been completed, certain payments that have been made to the APM Developer and the ConRAC Developer and a portion of the improvements being made to Terminal 4 that will not be undertaken until after fiscal year 2026. For purposes of this report, the Existing Capital Program commenced in fiscal year 2016 and is expected to be completed by the end of fiscal year 2026 and is estimated to cost approximately $12.1 billion. The Existing Capital Program consists of various terminal, airfield and apron projects and the LAMP projects, among others.

In addition to the Existing Capital Program, LAWA has begun focusing on identifying and prioritizing future capital improvements at LAX that are not included in the Existing Capital Program, but are expected to be completed by 2033. These new projects could include, among others, adding eight gates to the Midfield Satellite Concourse, construction of a new concourse connected to the existing Terminal 1 (known as Concourse Zero or Terminal 1 East) containing up to eleven new narrowbody gates (two gates will be lost in Terminal 1 in connection with the construction of Concourse Zero, resulting in a net of nine new gates), construction of a new terminal (known as Terminal 9) that would contain up to twelve widebody gates (or eighteen narrowbody gates) and be located on the southeast side of LAX, and various roadway and airfield improvements (collectively, the Next Capital Program).

Preliminary design work for several major projects anticipated in the Next Capital Program began in fiscal year 2022, when LAWA completed preliminary financial feasibility of the Next Capital Program. The projects in the Next Capital Program were assumed to be completed by the end of fiscal year 2029, and the preliminary estimated (escalated) total cost of the projects included in the Next Capital Program was assumed at $15.0 billion.

While LAWA continues to review the Capital Program and may in the future adjust the timing and cost of individual projects given the decreased passenger traffic due to the COVID-19 pandemic, no reductions in costs or changes in timing have been implemented, but LAWA could make such adjustments in the future. Furthermore, other factors such as changes in Pledged Revenues, LAX Maintenance and Operation Expenses, and Debt Service, and certain availability payments, may impact the financing, construction, and completion of the Capital Program.

Outlook for the Future

LAX's operations are supported solely by revenues it generates. LAWA 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. At the same time, management must control operating expenses to achieve the levels of net revenues sufficient to cover obligations for debt service and fund planned capital expenditures, as outlined in financial forecasts provided to investors.

The fiscal year 2024 budget is based on a conservative forecast of operating revenues and operating expenses that reflect management's expectation of the LAX passenger traffic of 41.5 million enplanements, approximately 6% lower than the actual fiscal year 2019 level. The budget allows LAWA to achieve targeted key financial metrics and meet all LAX Bond Indenture covenants.

In addition to funding LAWA's ongoing day-to-day operations, LAWA's Chief Executive Officer and management team created and guided the fiscal year 2024 budget process towards ensuring financial stability despite uncertainties in the aviation industry due to macroeconomic and geopolitical matters, while reaching the following budget objectives:

Liquidity

- Maintain liquidity against operational, financial and economic uncertainties
- Days Cash on Hand minimum target - 550 days

Operating and Strategic Budget Priorities

- Fund operational, legal and safety mandates
- Maintain existing and new facilities
- Fund strategic business priorities based on LAWA's Strategic Plan Goals
    - Foster Equitable Economic Growth and Sustainability in our region
    - Build and Operate Facilities to Meet Evolving Demand
    - Develop Workforce and Organizational Capabilities for the Future
    - Provide Exceptional Guest Experiences
    - Enhance Financial Capacity
    - Ensure Safety and Security for Guests and Employees

- Balance Costs and Revenues
    - Achieve sufficient staffing levels
    - Grow revenues to offset inflation
    - Balance cost increases with increases in revenues to achieve key metrics
    - All-in debt service coverage of at least 1.8x
    - Budgeted Airline Cost Per Enplaned Passenger not to exceed $28.0

Beatrice C. Hsu
Interim Chief Executive Officer
October 25, 2023

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FINANCIAL SECTION

2023 ANNUAL FINANCIAL REPORT

LOS ANGELES INTERNATIONAL AIRPORT

FINANCIAL SECTION

- Report of Independent Auditors
- Management's Discussion and Analysis
- Financial Statements
- Required Supplementary Information

MOSSADAMS

Report of Independent Auditors

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Los Angeles International Airport ("LAX"), a department 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 statements of net position as of June 30, 2023 and 2022, and the related statements of revenues, expenses, changes in net position, and cash flows for the years then ended and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of LAX as of June 30, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of LAX and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Financial Reporting Entity

As discussed in Note 1, the financial statements present only LAX's net position, the changes in net position, and cash flows, and do not purport to, and do not, present fairly the net position of the City of Los Angeles as of June 30, 2023 and 2022, the changes in City's net position, or, where applicable, City's cash flows for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Emphasis of Matter

As discussed in Note 2 of the financial statements, LAX adopted the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements,* effective July 1, 2021. The financial statements have been retroactively restated in accordance with the requirements of the new accounting standard. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 LAX's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of LAX's proportionate share of the net pension liability, the schedule of contributions – pension, the schedule of LAX's proportionate share of the net other postemployment benefit (OPEB) liability, and the schedule of contributions – OPEB 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

Management is responsible for the other information included in the annual report. The other information comprises the introductory section, supplemental information, statistical section, and compliance section, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2023, on our consideration of LAX'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 LAX'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 LAX's internal control over financial reporting and compliance.

Moss Adams LLP

El Segundo, California
October 25, 2023

MANAGEMENT'S DISCUSSION & ANALYSIS

(UNAUDITED)

2023 ANNUAL FINANCIAL REPORT

LOS ANGELES INTERNATIONAL AIRPORT

MANAGEMENT'S DISCUSSION & ANALYSIS

(UNAUDITED)

Los Angeles World Airports

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

Los Angeles International Airport

Management's Discussion and Analysis (Unaudited)
June 30, 2023 and 2022

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 17,000 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 LAX's financial activities for the fiscal years ended June 30, 2023 and 2022. This discussion and analysis should be read in conjunction with LAX's financial statements that begin on page 43.

Using This Financial Report

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

The *Statements of Net Position* present information on all of LAX's assets, deferred outflows of resources, liabilities, and deferred inflows of resources at June 30, 2023 and 2022. The difference between (a) assets and deferred outflows of resources, and (b) liabilities and deferred inflows of resources is reported as net position. Over time, increases and decreases in net position may serve as a useful indicator about whether LAX's financial condition is improving or deteriorating.

The *Statements of Revenues, Expenses and Changes in Net Position* present the results of LAX's operations and information showing the changes in net position for the fiscal years ended June 30, 2023 and 2022. These statements can, among other things, be useful indicators of how LAX recovered its costs through rates and charges. All changes in net position are reported when the underlying events occurred, regardless of the timing of the related cash flows. Thus, revenues and expenses are recorded and reported in these statements for some items that will result in cash flows in future periods.

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

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

Management's Discussion and Analysis (Unaudited)
June 30, 2023 and 2022
(continued)

Passenger and Other Traffic Activity Highlights

The following table presents a summary of passenger and other traffic for the last three fiscal years:

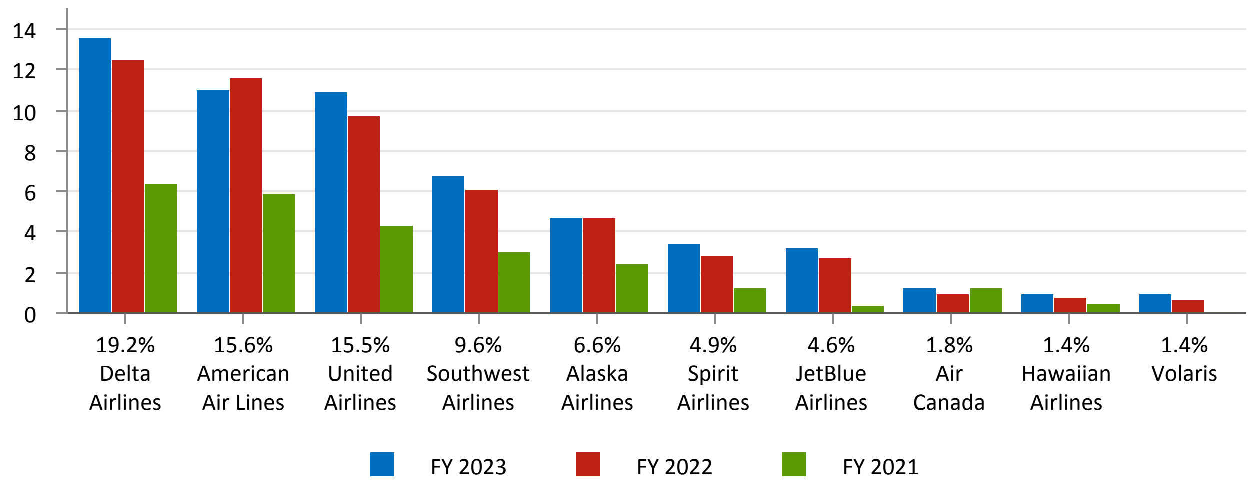
				% Change	
	FY 2023	FY 2022	FY 2021	FY 2023	FY 2022
Total passengers	70,966,023	60,688,248	29,050,631	16.9%	108.9%
Domestic passengers	51,079,280	48,485,050	24,688,871	5.4%	96.4%
International passengers	19,886,743	12,203,198	4,361,760	63.0%	179.8%
Departing passengers	35,525,350	30,253,056	14,593,791	17.4%	107.3%
Arriving passengers	35,440,673	30,405,450	14,456,840	16.6%	110.3%
Passenger flight operations					
Departures	243,606	236,681	152,896	2.9%	54.8%
Arrivals	243,049	237,206	152,702	2.5%	55.3%
Landing weight					
(thousand lbs)	55,177,127	54,384,879	40,055,175	1.5%	35.8%
Air cargo (tons)					
Mail	107,236	125,346	130,952	-14.4%	-4.3%
Freight	2,375,445	2,819,405	2,686,358	-15.7%	5.0%

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 chart presents the top ten airlines, by number of passengers, for fiscal year 2023 and the comparative passengers for fiscal years 2022 and 2021.

FY 2023 Top Ten Carriers and FY 2023 Percentage of Market Share (passengers in millions)



Passenger Traffic, Fiscal Year 2023

Passenger traffic at LAX increased by 16.9% in fiscal year 2023 as compared to fiscal year 2022. Of the 71.0 million passengers that moved in and out of LAX, domestic passengers accounted for 72.0%, while international passengers accounted for 28.0%. Delta Air Lines ferried the largest number of passengers at 13.6 million with a 8.8% increase in passenger traffic. American Airlines, ranked second with 11.1 million passengers posted a 4.3% decrease in passenger traffic. United Airlines, ranked third with 11.0 million passengers posted a 12.2% increase in passenger traffic. Southwest Airlines (6.8 million) and Alaska Airlines (4.7 million) complete the top five air carriers operating at LAX. Air Canada was the top foreign flag carrier with 1.3 million passengers and was ranked eighth overall.

Passenger Traffic, Fiscal Year 2022

Passenger traffic at LAX increased by 108.9% in fiscal year 2022 as compared to fiscal year 2021. Of the 60.7 million passengers that moved in and out of LAX, domestic passengers accounted for 79.9%, while international passengers accounted for 20.1%. Delta Air Lines ferried the largest number of passengers at 12.5 million with a 95.3% increase in passenger traffic. American Airlines, ranked second with 11.6 million passengers posted a 96.6% increase in passenger traffic. United Airlines, ranked third with 9.8 million passengers posted a 127.9% increase in passenger traffic. Southwest Airlines (6.1 million) and Alaska Airlines (4.7 million) complete the top five air carriers operating at LAX. Volaris was the top foreign flag carrier with 0.8 million passengers and was ranked ninth overall.

Passenger Flight Operations, Fiscal Year 2023

Departures and arrivals at LAX increased by 12,768 flights or 2.7% during fiscal year 2023 when compared to fiscal year 2022. Revenue landing pounds were up 1.5%. The top three carriers in terms of landing pounds were Delta Airlines, American Airlines and United Airlines. In total, these three airlines contributed 39.2% of the total revenue pounds at LAX.

Passenger Flight Operations, Fiscal Year 2022

Departures and arrivals at LAX increased by 168,289 flights or 55.1% during fiscal year 2022 when compared to fiscal year 2021. Revenue landing pounds were up 35.8%. The top three carriers in terms of landing pounds were American Airlines, Delta Airlines and United Airlines. In total, these three airlines contributed 38.9% of the total revenue pounds at LAX.

Air Cargo (tons), Fiscal Year 2023

Freight and mail cargo at LAX decreased by 15.7% in fiscal year 2023 as compared to fiscal year 2022. Freight was down by 443,960 tons, and mail was down by 18,110 tons. Domestic cargo was down by 197,383 tons or 18.2% and international cargo was down by 264,687 tons or 14.2%. Federal Express was the top air freight carrier accounting for 11.9% of total freight cargo, followed by Polar Air Cargo with 11.2%. Kalitta Air LLC was the top mail carrier accounting for 45.9% of total mail cargo.

Air Cargo (tons), Fiscal Year 2022

Freight and mail cargo at LAX increased by 4.5% in fiscal year 2022 as compared to fiscal year 2021. Freight was up by 133,047 tons, and mail was down by 5,606 tons. Domestic cargo was up by 31,220 tons or 3.0% and international cargo was up by 96,221 tons or 5.5%. Federal Express was the top air freight carrier accounting for 12.0% of total freight cargo, followed by Kalitta Air LLC with 8.5%. Kalitta Air LLC was the top mail carrier accounting for 43.4% of total mail cargo.

Management's Discussion and Analysis (Unaudited)
June 30, 2023 and 2022
(continued)

Overview of LAX's Financial Statements

Financial Highlights, Fiscal Year 2023

- LAX's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $6.0 billion.
- Bonded debt had a net increase of $1.0 billion.
- Operating revenue totaled $1.7 billion.
- Operating expenses (including depreciation and amortization of $689.8 million) totaled $1.5 billion.
- Net nonoperating expenses totaled $183.9 million.
- Federal and other government capital grants totaled $387.5 million.
- Net position increased by $408.7 million.

Financial Highlights, Fiscal Year 2022[1]

- LAX's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $5.6 billion.
- Bonded debt had a net increase of $2.1 billion.
- Operating revenue totaled $1.4 billion.
- Operating expenses (including depreciation and amortization of $629.0 million) totaled $1.3 billion.
- Net nonoperating expenses totaled $245.1 million.
- Federal and other government capital grants totaled $31.9 million.
- Net position decreased by $176.4 million.

[1] *The fiscal year 2022 financial statements have been restated for the adoption of GASB 96, SBITA, effective July 1, 2021 in the comparison between fiscal year 2023 with 2022.*

Management's Discussion and Analysis (Unaudited)
June 30, 2023 and 2022
(continued)

Net Position Summary

A condensed summary of net position for fiscal years ended June 30, 2023, 2022, and 2021 is presented below. The fiscal year 2022 financial statements have been restated for the adoption of GASB 96, *SBITA*, effective July 1, 2021. The fiscal year 2021 financial statements have been restated for the adoption of GASB 87, *Leases*, effective July 1, 2020.

Condensed Net Position
(amounts in thousands)

	FY 2023	As Restated* FY 2022	As Restated* FY 2021	FY 2023 increase (decrease)	FY 2022 increase (decrease)
Assets					
Unrestricted current assets	$ 2,031,413	$ 1,571,949	$ 1,636,406	$ 459,464	$ (64,457)
Restricted current assets	2,701,260	2,479,757	1,316,887	221,503	1,162,870
Capital assets, net	16,299,006	14,768,712	14,320,374	1,530,294	448,338
Noncurrent assets	130,907	164,415	196,403	(33,508)	(31,988)
Net OPEB asset	—	30,042	—	(30,042)	30,042
Total assets	21,162,586	19,014,875	17,470,070	2,147,711	1,544,805
Deferred outflows of resources					
Loss on debt refundings	36,789	41,885	33,681	(5,096)	8,204
Pension and OPEB	247,220	185,975	320,967	61,245	(134,992)
Total deferred outflows of resources	284,009	227,860	354,648	56,149	(126,788)
Liabilities					
Current liabilities payable from unrestricted assets	679,825	497,738	783,776	182,087	(286,038)
Current liabilities payable from restricted assets	279,904	214,886	232,619	65,018	(17,733)
Noncurrent liabilities	13,307,177	11,736,440	9,651,754	1,570,737	2,084,686
Net pension liability	868,926	536,500	1,006,766	332,426	(470,266)
Net OPEB liability	26,907	—	80,411	26,907	(80,411)
Total liabilities	15,162,739	12,985,564	11,755,326	2,177,175	1,230,238
Deferred inflows of resources					
Gain on debt refundings	54,716	53,326	40,508	1,390	12,818
Pension and OPEB	107,578	440,465	55,399	(332,887)	385,066
Leases	146,236	196,777	230,461	(50,541)	(33,684)
Total deferred inflows of resources	308,530	690,568	326,368	(382,038)	364,200
Net Position					
Net investment in capital assets	4,770,009	4,833,830	5,270,607	(63,821)	(436,777)
Restricted for capital projects	286,534	267,664	335,431	18,870	(67,767)
Restricted for operations and maintenance reserve	232,615	223,815	236,443	8,800	(12,628)
Restricted for federally forfeited property & protested funds	1,753	2,233	2,242	(480)	(9)
Unrestricted	684,415	239,061	(101,699)	445,354	340,760
Total net position	$ 5,975,326	$ 5,566,603	$ 5,743,024	$ 408,723	$ (176,421)

Net Position, Fiscal Year 2023[2]

As noted earlier, net position may serve as a useful indicator of LAX's financial condition. At the close of fiscal years 2023 and 2022, LAX's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $6.0 billion and $5.6 billion, respectively, representing an increase of $408.7 million or 7.3%.

The largest portion of LAX's net position ($4.8 billion or 79.8%) 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 LAX's net position ($520.9 million or 8.7%) represents resources that are subject to various restrictions on how they may be used. Unrestricted net position increased by $445.4 million from $239.1 million in fiscal year 2022 to $684.4 million in fiscal year 2023.

Unrestricted current assets increased by $459.5 million or 29.2%, from $1.6 billion at June 30, 2022 to $2.0 billion at June 30, 2023. The increase was primarily driven by an increase in cash and pool investments held in City Treasury of $427.7 million or 30.2%, an increase in unbilled receivables of $42.8 million or 2,507.4%, an increase in accrued interest receivable of $3.0 million or 49.2%, and an increase in accounts receivable of $3.0 million or 13.8%, offset by a decrease in lease receivable of $15.9 million or 33.0% , and a decrease in grants receivable of $2.1 million or 11.1% in fiscal year 2023.

Unrestricted current assets consist primarily of cash and pooled investments (including reinvested cash collateral in 2023) 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.

The increase in cash and pooled investments held in City Treasury of $427.7 million or 30.2% was primarily due to higher cash inflows than outflows in fiscal year 2023, offset by the year-end recognition of $55.0 million net loss in fair market valuation/securities lending transactions as of June 30, 2023. Unbilled receivables, which represented the year-end accrual for unbilled revenue, increased by $42.8 million or 2,507.4%. The increase was primarily a result of a higher passenger level in June 2023 as compared to June 2022, in addition to a lower terminal and landing fee credit adjustment from $77.4 million in fiscal year 2022 to $38.6 million in fiscal year 2023. Fiscal year 2022 terminal and landing fee adjustment covered 18 months of reconciliation from January 2021 to June 2022 as a result of a change in reconciliation basis from calendar year to fiscal year.

The increase in accrued interest receivable of $3.0 million or 49.2% was primarily due to higher interest yield in fiscal year 2023 as compared to fiscal year 2022; and the increase of accounts receivable of $3.0 million or 13.8% was primarily due to higher passenger level in June 2023 as compared to June 2022. The decrease in lease receivable of $15.9 million or 33.0% was primarily due to a higher offsetting accounting entries for GASB Statement No. 87, *Leases*, in fiscal year 2023 as compared to fiscal year 2022. The decrease in grants receivable of $2.1 million or 11.1% was primarily due to the decrease of $8.5 million Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) grant receivable, offset by approximately $6.2 million increase in various grants receivable including the Taxiway Extension Project in fiscal year 2023.

[2] *In the comparison between fiscal year 2023 with 2022, the fiscal year 2022 financial statements have been restated for the adoption of GASB 96, SBITA, effective July 1, 2021.*

Restricted current assets include cash and investments (including reinvested cash collateral in 2023) 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 $221.5 million or 8.9%, from $2.5 billion at June 30, 2022 to $2.7 billion at June 30, 2023. The increase was primarily driven by an increase in restricted cash and pooled investments held in City Treasury of $16.0 million, or 3.3%, an increase in year-end investment portfolio held by fiscal agents of $197.3 million, or 10.0%, and an increase in Passenger Facility Charges receivables of $8.7 million, or 60.1%.

The increase in restricted cash and pooled investments held in City Treasury of $16.0 million, or 3.3% from $483.2 million in fiscal year 2022 to $499.2 million in fiscal year 2023 was primarily due to higher cash inflows than outflows in fiscal year 2023, offset by $10.5 million net loss in fair market valuation/securities lending transactions as of June 30, 2023.

The increase in year-end investment portfolio held by fiscal agents of $197.3 million, or 10.0% from $2.0 billion in fiscal year 2022 to $2.2 billion in fiscal year 2023 was mainly due to higher unspent bond proceeds at LAX in fiscal year 2023. The increase in Passenger Facility Charges receivables of $8.7 million, or 60.1% from $14.5 million in fiscal year 2022 to $23.2 million in fiscal year 2023 was primarily due to the higher passenger level in fiscal 2023 as compared to fiscal year 2022.

LAX's capital assets additions are financed through the 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 $1.5 billion, or 10.4%. Ongoing construction and improvements to modernize LAX terminals and facilities, and the Landside Access Modernization Program (LAMP) including construction of the Automated People Mover System (APM), Consolidated Rental Car Facility (ConRAC) were the primary reasons for the increase.

Other noncurrent assets decreased by $63.6 million or 32.7% primarily due to a decrease in lease receivable, net of current portion, of $33.3 million or 20.9%, a decrease in prepaid bond insurance premium of $0.2 million from $4.7 million in fiscal year 2022, and a decrease in net OPEB asset of $30.0 million to zero in fiscal year 2023.

The decrease in lease receivable, net of current portion, of $33.3 million or 20.9% was due to the annual amortization recognized under GASB Statement No. 87 in fiscal year 2023. The net OPEB asset (a surplus of assets over liabilities) of $30.0 million recognized as of June 30, 2022 was mainly due to an investment gain from actual returns of about 34.0% compared to an expected return of 7.0%, and 2021/2022 premium and subsidy levels lower than expected from favorable premium renewal experience for calendar year 2022, offset to some degree by an updated trend assumption for projecting medical premiums after 2020/2021. In fiscal year 2023, LAWA recognized net OPEB liability of $26.9 million as a result of a negative return of (9.52)% on the market value of OPEB assets.

Current liabilities payable from unrestricted assets increased by $182.1 million or 36.6%. This was mainly due to an increase of $101.4 million or 41.3% in contracts and accounts payable, an increase of $6.2 million or 44.7% in accrued salaries, an increase of $1.1 million or 17.8% in accrued employee benefits, an increase of $1.3 million or 13.3% in estimated claims payable, an increase of $0.8 million or 10.8% in lease liabilities, an increase in PPP availability payment liabilities of $9.8 million, an increase of $75.6 million or 49.1% in commercial paper, and an increase of $9.0 million or 32.9% in other current liabilities, offset by a decrease of $4.9 million or 67.9% in subscription liabilities, a decrease of $5.4 million or 98.3% in accrued interest payable, and a decrease of $13.0 million or 62.7% in obligations under securities lending transactions.

The increase in contracts and accounts payable of $101.4 million or 41.3% was primarily due to the higher level of business operational activities as a result of increased passenger level in fiscal year 2023. The increase in accrued salaries $6.2 million or 44.7% was primarily a result of the accrual of an one-time bonus of $8.1 million based on the Coalition Agreement in fiscal year 2023. The increase of $1.3 million or 13.3% in estimated claims payable was due to a higher liabilities payable within twelve months in fiscal year 2023. The increase of $0.8 million or 10.8% in lease liabilities was a result of the additional liabilities recognized for the new leases in fiscal year 2023. The increase in PPP availability payment liabilities of $9.8 million from none in fiscal year 2022 was a result of the recognition of the Capital Availability Payment liabilities of $525.2 million, and Capital Renewal Payment liabilities of $69.6 million in relation to the capitalization of Consolidated Rental Car Facility (ConRAC) in fiscal year 2023. The increase of $75.6 million or 49.1% in commercial paper notes was primarily due to the increase in interim financing for the on-going construction projects. The increase of $9.0 million or 32.9% in other current liabilities was primarily due to an increase in LAX's share of the City Treasury's year-end pending investment trade of $7.8 million in fiscal year 2023. The decrease of $4.9 million or 67.9% in subscription liabilities was a result of the annual amortization in accordance with GASB Statement No. 96, *SBITA*. The decrease in accrued interest payable of $5.4 million or 98.3% was due to the accrual of interest expenses related to a capital project in fiscal year 2022 and none in fiscal year 2023.

Current liabilities payable from restricted assets increased by $65.0 million or 30.3%. This was mainly due to an increase in contracts and accounts payable of $1.7 million or 239.2%, an increase of $59.9 million or 41.8% in current maturities of bonded debt, an increase of $7.4 million or 12.4% in accrued interest payable, an increase of $0.8 million or 21.8% in other current liabilities, offset by a decrease of $4.9 million or 71.5% in obligations under securities lending transactions in fiscal year 2023.

The increase in contracts and accounts payable of $1.7 million, or 239.2% was primarily due to the higher level of business operational activities as a result of increased passenger activities in fiscal year 2023. The increase in accrued interest payable of $7.4 million or 12.4% was primarily due to the increased level of bonded debt from $11.7 billion in fiscal year 2022 to $12.7 billion in fiscal year 2023. The increase of $0.8 million or 21.8% in other current liabilities was primarily due to an increase in LAX's share of the City Treasury's year-end pending investment trade of $1.1 million.

Noncurrent liabilities increased by $1.9 billion or 15.7%. This was mainly due to an increase in bonded debt of $982.2 million or 8.5%, an increase in accrued employee benefits of $1.1 million or 17.8%, an increase in lease liabilities of $6.3 million or 13.4%, an increase in PPP availability payment liabilities of $584.1 million, an increase in net pension liability (NPL) of $332.4 million or 62.0%, and an increase in net OPEB liability (NOL) of $26.9 million, offset by a decrease of $1.4 million or 1.6% in estimated claims payable, and a decrease of $1.5 million or 41.1% in subscription liabilities in fiscal year 2023. The increase in bonded debt of $982.2 million or 8.5% was primarily a result of bond issuances of $1.5 billion (Series 2022 GHI and 2023 AB), offset by redemption and refunding of $328.5 million. The increase in lease liabilities of $6.3 million or 13.4% was a result of the additional liabilities recognized for the new leases in fiscal year 2023. The increase in PPP availability payment liabilities of $584.1 million from zero in fiscal year 2022 was a result of the recognition of the Capital Availability Payment liabilities of $525.2 million, and Capital Renewal Payment liabilities of $69.6 million in relation to the capitalization of ConRAC in fiscal year 2023.

The increase in net pension liabilities (NPL) of $332.4 million or 62.0% was primarily driven by a negative return of (8.11)% on the market value of retirement plan assets in fiscal year 2023, as compared to a return of 28.5% on the market value of retirement plan assets in fiscal year 2022. The increase in net OPEB liabilities (NOL) of $26.9 million in fiscal year 2023 from none in fiscal year 2022 was primarily driven by a negative return of (9.52)% on the market value of OPEB assets in fiscal year 2023 as compared to a return of 34.0% on the market value of OPEB assets in fiscal year 2022. The decrease of $1.4 million or 1.6% in estimated claims payable was a result of lower liabilities payable beyond twelve months in fiscal year 2023. The decrease of $1.5 million or 41.1% in subscription liabilities was a result of the annual amortization in accordance with GASB Statement No. 96, *SBITA*.

Net Position, Fiscal Year 2022

As noted earlier, net position may serve as a useful indicator of LAX's financial condition. At the close of fiscal years 2022 and 2021, LAX's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $5.6 billion and $5.7 billion, respectively, representing a decrease of 3.1% or $176.4 million.

The largest portion of LAX's net position ($4.8 billion or 86.8%) 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 LAX's net position ($493.7 million or 8.9%) represents resources that are subject to various restrictions on how they may be used. Unrestricted net position increased by $340.8 million from $(101.7) million in fiscal year 2021 to $239.1 million in fiscal year 2022.

Unrestricted current assets consist primarily of cash and pooled investments (including reinvested cash collateral in 2022) 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.

Unrestricted current assets decreased by $64.5 million or 3.9%, from $1.64 billion at June 30, 2021 to $1.57 billion at June 30, 2022. The decrease was primarily driven by an increase in accounts receivable of $12.3 million or 130.3%, an increase in grants receivable of $15.1 million or 375.5%, and an increase in lease receivable of $7.8 million or 19.4%, offset by a decrease in cash and pool investments held in City Treasury of $69.4 million or 4.7%, and a decrease in unbilled receivables of $34.2 million or 95.2% in fiscal year 2022.

The increase in accounts receivable of $12.3 million at June 30, 2022 was a result of LAWA's mitigation measures in response to COVID-19 in fiscal year 2021. LAWA provided temporary relief to airlines and concessionaires and service providers at LAX. A temporary terminal and airfield fee relief program with respect to passenger airlines serving LAX (Passenger Airline Temporary Relief Program) permitted eligible passenger air carriers subject to a terminal lease or the Airport Terminal Tariff to apply for relief, which relief included deferral of terminal and airfield fees payable from April through May 2020. The increase in lease receivable of $7.8 million at June 30, 2022 was a result of recognition of new leases in fiscal year 2022. The decrease in cash and pooled investments held in City Treasury of $69.4 million was primarily due to the year-end recognition of $70.0 million net loss in fair market valuation/securities lending transactions as of June 30, 2022, offset by $0.6 million higher cash inflows than outflows in fiscal year 2022. Unbilled receivables, which represented the year-end accrual for unbilled revenue, decreased by $34.2 million, or 95.2%. The decrease was mainly driven by a higher terminal and landing fee credit adjustment from $15.2 million in fiscal year 2021 to $77.4 million in fiscal year 2022 caused by a change in reconciliation basis from calendar year to fiscal year. As a result, fiscal year 2022 covered 18 months of reconciliation from January 2021 to June 2022. The decrease was offset by an increase of $28.0 million in various unbilled receivables due primarily to increased passenger traffic in fiscal year 2022.

LAWA implemented a fee relief program for LAX concessionaires and service providers at LAX (Concessionaires and Services Temporary Relief Program), which provided for the waiver of the minimum annual guarantees (MAGs), lower fees and deferrals. The Concessionaires and Services Temporary Relief Program ended on June 30, 2021, and was subsequently extended through June 30, 2022. LAWA may provide additional relief in the future as it deems reasonably necessary to address the impacts of the COVID-19 pandemic on the Department and its operations and its airlines, concessionaires and service providers. On October 21, 2021, the Board approved to amend concession agreements at LAX to revise payment terms due to the continuing impacts of COVID-19. For concessions that are open and conducting business at LAX, the Board approved to extend the revised rent payment terms, require payment of percentage rents instead of MAG rent for the period July 1, 2021 through June 30, 2022, and establish new MAG rents effective July 1, 2022.

Restricted current assets include cash and investments (including reinvested cash collateral in 2022) 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 $1.2 billion or 88.3%, from $1.3 billion at June 30, 2021 to $2.5 billion at June 30, 2022. The increase was primarily driven by an increase in year-end investment portfolio held by fiscal agents of $1.3 billion, or 197.0%, offset by a decrease in restricted cash and pooled investments held in City Treasury of $144.3 million, or 23.0%.

The increase in year-end investment portfolio held by fiscal agents of $1.3 billion, or 197.0% from $0.7 billion in fiscal year 2021 to $2.0 billion in fiscal year 2022 was mainly due to higher unspent bond proceeds at LAX in fiscal year 2022. The decrease in restricted cash and pooled investments held in City Treasury of $144.3 million, or 23.0% from $0.6 billion in fiscal year 2021 to $0.5 billion in fiscal year 2022 was primarily due to the year-end recognition of $23.7 million net loss in fair market valuation/securities lending transactions as of June 30, 2022, in addition to $120.6 million higher cash outflows than inflows in fiscal year 2022.

LAX's capital assets additions are financed through the 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 $448.3 million, or 3.1%. Ongoing construction and improvements to modernize LAX terminals and facilities, and the LAMP including construction of the APM and ConRAC, together with the completed Terminal 1.5 and Bradley West Gates (formerly known as Midfield Satellite Concourse) were the primary reasons for the increase.

Other noncurrent assets decreased by $1.9 million or 1.0% primarily due to the decrease in lease receivable, net of current portion, of $36.7 million, or 18.7%, offset by an increase in prepaid bond insurance premium of $4.7 million from none in fiscal year 2021, and an increase in net OPEB asset of $30.0 million from none in fiscal year 2021. The decrease in lease receivable, net of current portion, of $36.7 million was due to the annual amortization recognized under GASB Statement No. 87 in fiscal year 2022. The increase in prepaid bond insurance premium of $4.7 million was a result of the issuance of the LAX CFC 2022 Series A green bonds in fiscal year 2022. The net OPEB asset (a surplus of assets over liabilities) of $30.0 million as of June 30, 2022 was mainly due to an investment gain from actual returns of about 34.0% compared to an expected return of 7.0%, and 2021/2022 premium and subsidy levels lower than expected from favorable premium renewal experience for calendar year 2022, offset to some degree by an updated trend assumption for projecting medical premiums after 2020/2021.

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Current liabilities payable from unrestricted assets decreased by $286.0 million or 36.5%. This was mainly due to a decrease of $349.0 million or 58.7% in contracts and accounts payable, a decrease of $5.0 million or 39.6% in lease liabilities, a decrease of $14.7 million or 34.9% in other current liabilities, offset by an increase of $5.0 million or 57.1% in accrued salaries, an increase of $55.6 million or 56.5% in commercial paper, an increase of $5.4 million in accrued interest payable, an increase of $9.0 million or 77.6% in obligations under securities lending transactions, and an increase of $7.1 million in subscription liabilities in fiscal year 2022.

The decrease in contracts and accounts payable was primarily due to higher year-end accruals of capital expenditures for the on-going construction projects including the APM milestones accrued payables of $149.6 million made in fiscal year 2021, whereas more payments were made before June 2022 thus resulting in less contracts and accounts payable balance. The decrease in lease liabilities was a result of the annual amortization in accordance with GASB Statement No. 87. The decrease in other current liabilities was primarily a result of the decrease in LAWA's share of the City Treasury's year-end pending investment trade of $14.2 million in fiscal year 2022**.** The increase in accrued salaries was primarily a result of more number of working days for accrual in fiscal year 2022 as compared to fiscal year 2021. The increase in commercial paper notes was primarily due to the increase in interim financing for the on-going construction projects. The increase in accrued interest payable was due to the accrual of interest expenses related to a capital project.

Current liabilities payable from restricted assets decreased by $17.7 million or 7.6%. This was mainly due to a decrease in contracts and accounts payable of $14.1 million, or 95.1%, and a decrease of $0.4 million in accrued interest payable, a decrease in LAWA's share of the City Treasury's year-end pending investment trade of $5.3 million, and a decrease of $0.9 million in current maturities of bonded debt, offset by an increase of $2.7 million or 65.1% in obligations under securities lending transactions in fiscal year 2022. The decrease in contracts and accounts payable was primarily due to more year-end accruals in fiscal year 2021, whereas more payments were made before June 2022 thus resulting in less contracts and accounts payable balance.

The increase in noncurrent liabilities was $1.5 billion or 14.3%. This was primarily a result of bond issuances of $2.4 billion with net change in premium of $220.0 million, an increase of $3.7 million in subscription liabilities, offset by refunding and defease all of the outstanding Series 2012A senior revenue bonds, Series 2012B senior revenue bonds and a portion of Series 2016A subordinate revenue bonds and 2016C senior refunding revenue bonds in the amount of $50.7 million, $116.9 million, $217.7 million and $13.4 million, respectively; in addition to the recognition of $143.4 million as current bonded debt in fiscal year 2022. The increase was also offset by the reduction of the proportionate share of net pension liability (NPL) of $470.3 million or 46.7%, and reduction of net OPEB liability (NOL) of $80.4 million in fiscal year 2022. The decrease in NPL was mainly due to the return on the market value of retirement plan assets of 28.5% during 2020/2021 that was more than the assumption of 7.0% used in the valuation. The decrease in NOL was mainly due to an investment gain from actual returns of about 34.0% compared to an expected return of 7.0%, and 2021/2022 premium and subsidy levels lower than expected from favorable premium renewal experience for calendar year 2022, offset to some degree by an updated trend assumption for projecting medical premiums after 2020/2021, resulting in net OPEB asset (a surplus of assets over liabilities) of $30.0 million as described above under other noncurrent assets.

Changes in Net Position Summary

A condensed summary of LAX's changes in net position for fiscal years ended June 30, 2023, 2022, and 2021 is presented below.

Condensed Changes in Net Position
(amounts in thousands)

	FY 2023	As Restated* FY 2022	As Restated* FY 2021	FY 2023 increase (decrease)	FY 2022 increase (decrease)
Operating revenue	$ 1,726,421	$ 1,382,446	$ 1,045,520	$ 343,975	$ 336,926
Less- Operating expenses	831,548	716,639	757,498	114,909	(40,859)
Operating income before depreciation and amortization	894,873	665,807	288,022	229,066	377,785
Less- Depreciation and amortization	689,766	629,021	451,888	60,745	177,133
Operating income (loss)	205,107	36,786	(163,866)	168,321	200,652
Other nonoperating expenses, net	(183,917)	(245,071)	(208,553)	61,154	(36,518)
Federal and other government grants	387,533	31,864	313,032	355,669	(281,168)
Changes in net position	408,723	(176,421)	(59,387)	585,144	(117,034)
Net position, beginning of year	5,566,603	5,743,024	5,802,411	(176,421)	(59,387)
Net position, end of year	$ 5,975,326	$ 5,566,603	$ 5,743,024	$ 408,723	$ (176,421)

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(continued)

Operating Revenue

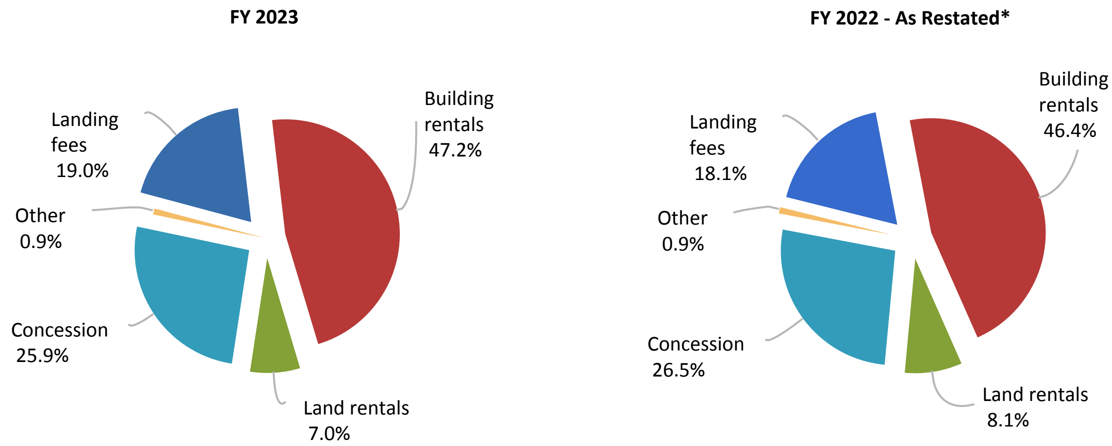
LAX derives its operating revenue from several major airport business activities. The following table presents a summary of these business activities during fiscal years 2023, 2022, and 2021:

Summary of Operating Revenue
(amounts in thousands)

	FY 2023	As Restated* FY 2022	As Restated* FY 2021	FY 2023 increase (decrease)	FY 2022 increase (decrease)
Aviation revenue					
Landing fees	$ 328,099	$ 250,171	$ 164,693	$ 77,928	$ 85,478
Building rentals	815,490	641,360	599,974	174,130	41,386
Land rentals	121,601	112,040	108,531	9,561	3,509
Other aviation revenue	5,135	5,590	7,746	(455)	(2,156)
Total aviation revenue	1,270,325	1,009,161	880,944	261,164	128,217
Concession revenue	447,478	366,312	161,185	81,166	205,127
Other operating revenue	9,454	6,973	4,647	2,481	2,326
Total operating revenue before reliever fee	1,727,257	1,382,446	1,046,776	344,811	335,670
Reliever airport fee (landing fees offset)	(836)	—	(1,256)	(836)	1,256
Total operating revenue	$ 1,726,421	$ 1,382,446	$ 1,045,520	$ 343,975	$ 336,926

Operating Revenue, Fiscal Year 2023[3]

The following chart illustrates the proportion of sources of operating revenue, before reliever airport fee, for fiscal years ended June 30, 2023 and 2022. Other aviation and other operating revenue were added and labeled "Other."



For the fiscal year ended June 30, 2023, total operating revenue before reliever airport fees was $1.7 billion, an increase of $344.8 million or 24.9% from the prior fiscal year. Aviation related revenue increased by $261.2 million or 25.9%. Non-aviation revenue increased by $83.6 million or 22.4%, including an increase in concession of $81.2 million or 22.2%, and an increase in other operating revenue of $2.5 million, or 35.6%. The increase in total operating revenue was mainly a result of the 16.9% increase in passenger traffic in fiscal year 2023 to 71.0 million as compared to the passenger traffic of 60.7 million in fiscal year 2022.

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 for the fiscal year ended June 30, 2023 increased by $77.9 million, or 31.1%. The increase in landing fees was primarily due to 1.5% increase in landed weights in fiscal year 2023 as a result of the 16.9% increase in passenger traffic in fiscal year 2023 to 71.0 million and a 22.1% increase in permitted passenger rate from $5.03 to a preliminary reconciled rate of $6.14, and a 29.1% increase in permitted cargo rate from $3.51 to a preliminary reconciled rate of $4.53.

Building rental increased by $174.1 million or 27.2% from $641.4 million in fiscal year 2022 to $815.5 million in fiscal year 2023. At LAX, the increase in building rentals was primarily attributable to increased costs of $103.1 million or 17.7% due to the increased costs in improvements and refurbishments in the terminals recovered under the Terminal Rate Agreement, and an increase in terminal use fees of $73.2 million or 123.7% due to an increase of FIS Fees by 59.3% from $10.69 to $17.03 per deplaned international passenger and an increase of

[3] *In the comparison between fiscal year 2023 with 2022, the fiscal year 2022 financial statements have been restated for the adoption of GASB 96, SBITA, effective July 1, 2021.*

63.0% in international passenger activity in fiscal year 2023, offset by a decrease of $2.2 million or 262.1% in building rental revenue recognized in accordance with GASB Statement No. 87, *Leases*.

Land rental revenue increased by $9.6 million or 8.5% from $112.0 million to $121.6 million in fiscal year 2023 as a result of the 5-year fair market rate adjustments starting in June 2022 (retroactive from January 2022), and 8.5% CPI adjustments effective July 1, 2022. The increase was offset by a decrease of $1.6 million or 181.8% in land rental revenue recognized in accordance with GASB Statement No. 87, *Leases*.

Total revenue from concessions was $447.5 million in fiscal year 2023, a 22.2% increase from $366.3 million in fiscal year 2022. 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) and other commercial ground transportation operations.

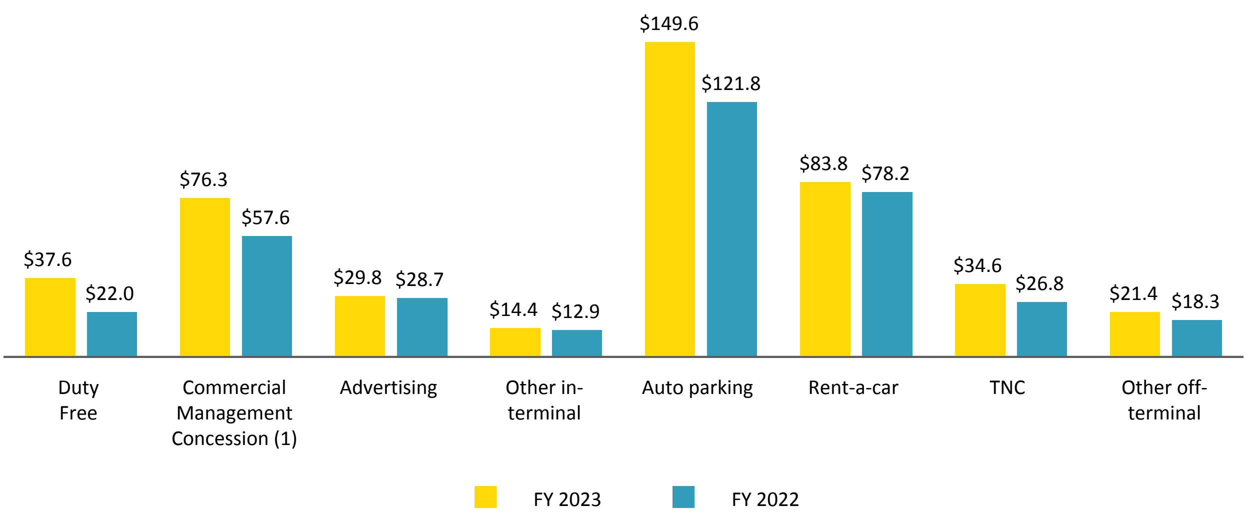
In-terminal concession revenue in fiscal year 2023 had a net increase of $36.9 million or 30.4% as compared to fiscal year 2022. Duty free revenues increased by $15.6 million, or 70.9%; commercial management concession revenue[4] increased by $18.7 million or 32.5%; other in-terminal revenue increased by $1.5 million or 11.6%; and advertising revenue increased by $1.1 million or 3.8%. The increases in concession revenue were mainly a result of the 16.9% increase in passenger traffic in fiscal year 2023 to 71.0 million as compared to the passenger traffic of 60.7 million in fiscal year 2022.

Off-terminal concession revenue at LAX in fiscal year 2023 was $289.4 million as compared to $245.1 million in fiscal year 2022, an increase of $44.3 million or 18.1%. The increase was primarily caused by an increase in auto parking of $27.8 million or 22.8%, an increase in TNC revenue of $7.8 million or 29.1%, an increase in rent-a-car revenue of $5.6 million or 7.2%, an increase in fly-away bus service of $1.7 million or 14.8%, and an increase in bus, limousine and taxi of $1.4 million or 20.6% in fiscal year 2023.

The increase in auto parking revenue of $27.8 million or 22.8% was primarily attributed to the opening of the LAX Economy Parking Garage in October 2021, in addition to the 16.9% increase in passenger traffic in fiscal year 2023 to 71.0 million as compared to the passenger traffic of 60.7 million in fiscal year 2022. The increase in revenue from TNC, rent-a-car revenue, fly-away bus service and bus, limousine and taxi were all driven by the higher passenger traffic in fiscal year 2023.

[4] *Commercial Management Concession revenue includes total revenue from food and beverage concessionaires, gifts and news and commercial management concessionaires.*

Comparative concession revenue by type for fiscal years 2023 and 2022 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.

Other operating revenue, including airport sales and services, and other aviation and operating revenue, increased by $2.5 million or 35.6% at LAX in fiscal year 2023. The increase was primarily due to an one-time insurance refund of $1.4 million relating to a construction project which was closed in fiscal year 2016.

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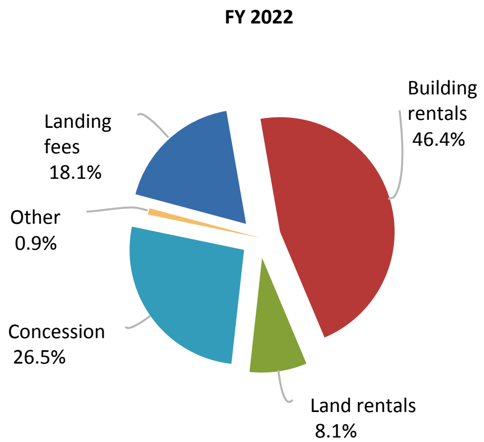
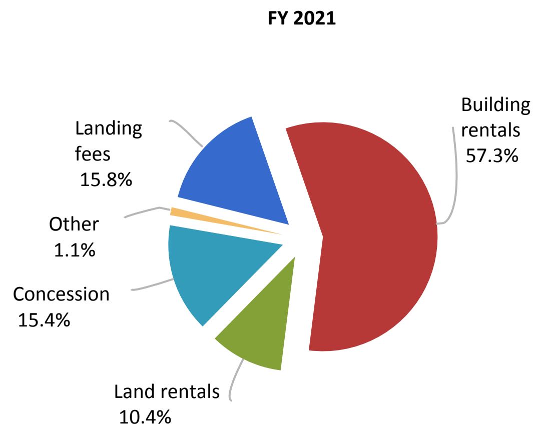
(continued)

Operating Revenue, Fiscal Year 2022

The following chart illustrates the proportion of sources of operating revenue, before reliever airport fee, for fiscal years ended June 30, 2022 and 2021. Other aviation and other operating revenue were added and labeled "Other."





For the fiscal year ended June 30, 2022, total operating revenue before reliever airport fees was $1.4 billion, an increase of $335.7 million or 32.1% from the prior fiscal year. Aviation related revenue increased by $128.2 million or 14.6%. Non-aviation revenue increased by $207.5 million or 125.1%, including an increase in concession of $205.1 million or 127.3%, and an increase in other operating revenue of $2.3 million, or 50.1%. The increase in total operating revenue was mainly a result of the 108.9% increase in passenger traffic in fiscal year 2022 to 60.7 million as compared to the passenger traffic of 29.1 million in fiscal year 2021. In fiscal year 2021, the COVID-19 pandemic has resulted in a number of governmental actions, including travel restrictions and warnings domestically and internationally by the CDC, and the issuance of 'stay at home' or 'shelter in place' orders by many state and local governments in the United States and governments abroad. Accordingly, LAX has been acutely impacted by the reductions in passenger volumes and flight operations in fiscal year 2021.

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 for the fiscal year ended June 30, 2022 increased by $85.5 million, or 51.9%. The increase in landing fees was primarily due to 35.8% increase in landed weights in fiscal year 2022 as a result of the 108.9% increase in passenger traffic in fiscal year 2022 to 60.7 million and an increase in permitted cargo rate from $3.76 to $3.98 at LAX, offset by the decrease in permitted passenger rate from $5.74 to $5.42.

Building rental increased by $41.4 million or 6.9% from $600.0 million in fiscal year 2021 to $641.4 million in fiscal year 2022. At LAX, the increase in building rentals was primarily attributable to increased costs of $46.2 million or 8.6% due to the increased costs in improvements and refurbishments in the terminals recovered under the Terminal Rate Agreement, offset by decreases in terminal use fees of $4.8 million or 7.5% as a result of the reversal of the over-accrued 2021 terminal use fees in fiscal year 2022.

Land rental revenue increased by $3.5 million or 3.2% from $108.5 million in fiscal year 2021 to $112.0 million in fiscal year 2022. The increase in land rental revenue was primarily due to 5-year fair market rate adjustments in fiscal year 2022, offset by an overall decrease in leased areas in fiscal year 2022.

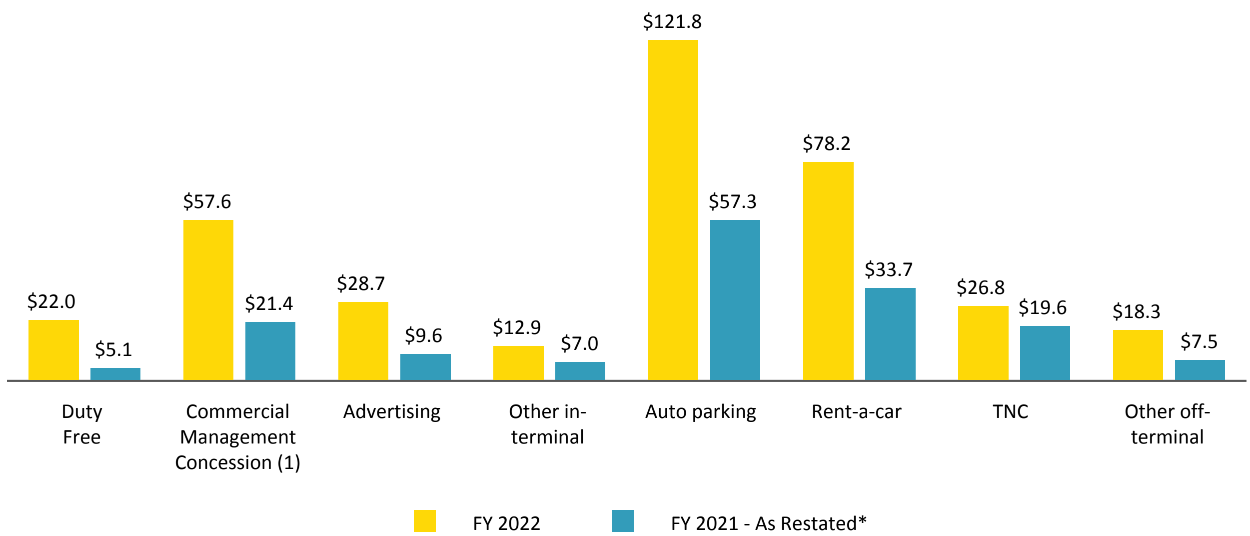
Total revenue from concessions was $366.3 million in fiscal year 2022, a 127.3% increase from $161.2 million in fiscal year 2021. In-terminal concession revenue includes rentals collected from commercial management concessionaires, food and beverage concessionaires; duty free and retail merchants (gifts, 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) and other commercial ground transportation operations.

In-terminal concession revenue in fiscal year 2022 had a net increase of $78.1 million or 181.2% as compared to fiscal year 2021. Duty free revenues increased by $16.9 million, or 331.4%; commercial management concession revenue increased by $36.2 million or 169.2%; other in-terminal revenue increased by $5.9 million or 84.3%; and advertising revenue increased by $19.1 million or 199.0%. The increases in concession revenue were mainly a result of the 108.9% increase in passenger traffic in fiscal year 2022 to 60.7 million as compared to the passenger traffic of 29.1 million in fiscal year 2021.

Off-terminal concession revenue at LAX in fiscal year 2022 was $245.1 million as compared to $118.1 million in fiscal year 2021, an increase of $127.0 million or 107.5%. The increase was primarily caused by an increase in TNC revenue of $7.2 million or 36.7% from fiscal year 2021, an increase in auto parking of $64.5 million, or 112.6% from fiscal year 2021, and an increase in rent-a-car revenue of $44.5 million, or 132.0%. The increase in TNC revenue was primarily due to the increase in ridership caused by the higher passenger traffic in fiscal year 2022. The increase in auto parking revenue was primarily attributed to the opening of the LAX Economy Parking Garage in October 2021, in addition to the increase in passenger traffic. The increase in rent-a-car revenue was primarily due to the increase in passenger traffic in fiscal year 2022. Also, in fiscal year 2021, there was a waiver of minimum annual guarantees (MAGs) and a decrease in percentage rents based on sales due to passenger traffic reduction as impacted by the COVID-19 pandemic. In fiscal year 2022, MAG billings were restated and revenue was charged on the greater of the concession fee or MAG.

Management's Discussion and Analysis (Unaudited)
June 30, 2023 and 2022
(continued)

Comparative concession revenue by type for fiscal years 2022 and 2021 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.

Other operating revenue, including airport sales and services, and other aviation and operating revenue, increased by $2.3 million or 50.1% at LAX in fiscal year 2022. The increase was primarily due to $2.0 million increase in Certified Service Provider License Agreement (CSPLA) revenue and application fees.

Operating Expenses

The following table presents a summary of LAX's operating expenses for the fiscal years ended June 30, 2023, 2022, and 2021. Included in other operating expenses are expenses for advertising and public relations, training and travel, insurance, lease, and other miscellaneous items.

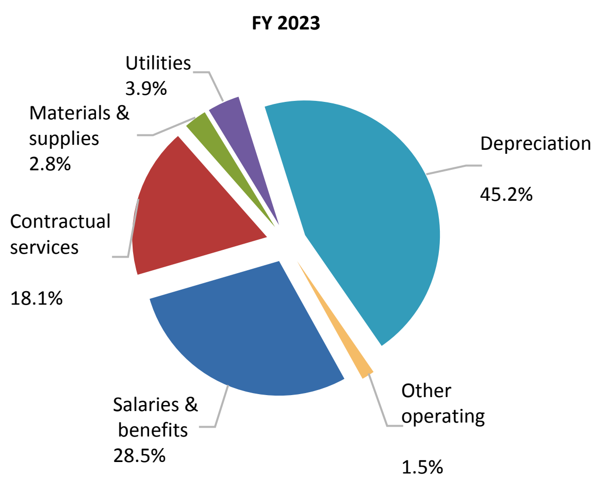
Summary of Operating Expenses
(amounts in thousands)

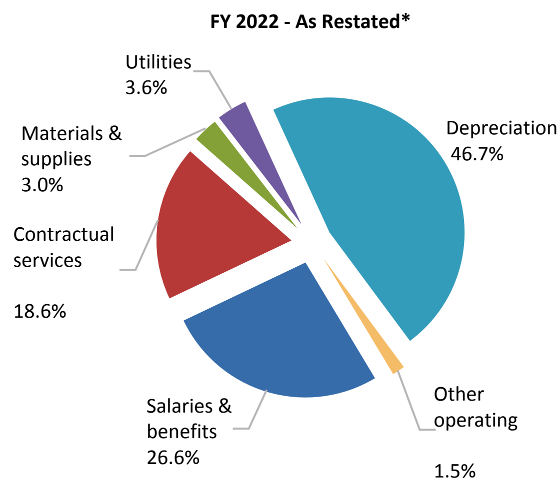
	FY 2023	**As Restated*** FY 2022	**As Restated*** FY 2021	FY 2023 increase (decrease)	FY 2022 increase (decrease)
Salaries and benefits	$ 435,105	$ 358,445	$ 484,581	$ 76,660	$ (126,136)
Contractual services	275,150	250,716	181,815	24,434	68,901
Materials and supplies	42,044	40,923	42,191	1,121	(1,268)
Utilities	58,879	48,985	39,007	9,894	9,978
Other operating expenses	23,533	20,669	12,813	2,864	7,856
Operating expenses before depreciation	834,711	719,738	760,407	114,973	(40,669)
Depreciation	689,766	629,021	451,888	60,745	177,133
Total operating expenses	1,524,477	1,348,759	1,212,295	175,718	136,464
Less- allocation to VNY and PMD	3,163	3,099	2,909	64	190
Net operating expenses	$ 1,521,314	$ 1,345,660	$ 1,209,386	$ 175,654	$ 136,274

Management's Discussion and Analysis (Unaudited)
June 30, 2023 and 2022
(continued)

Operating Expenses, Fiscal Year 2023[5]

The following chart illustrates the proportion of categories of operating expenses, before allocation to other airports, for fiscal years ended June 30, 2023 and 2022.





For the fiscal year ended June 30, 2023, operating expenses before allocation to other airports were $1.5 billion, a $175.7 million or 13.0% increase from the prior fiscal year. The increase was primarily due to increase in salaries and benefits of $76.7 million or 21.4%, increase in contractual services of $24.4 million or 9.7%, increase in materials and supplies of $1.1 million or 2.7%, increase in utilities of $9.9 million or 20.2%, increase in other operating expenses of $2.9 million or 13.9%, and increase in depreciation of $60.7 million or 9.7%.

Salaries and benefits expenses increased by $76.7 million or 21.4%. The increase was mainly driven by increase in salaries and overtime of $10.7 million or 3.9%, increase in pension expenses of $46.3 million or 113.8%, increase in OPEB expenses of $9.6 million or 48.1%, increase in retirement contributions of $7.7 million or 8.3%, and increase in worker's compensation of $2.9 million or 35.1%, offset by a decrease in health subsidy of $0.5 million or 1.2% in fiscal year 2023.

The increase in salaries and overtime of $10.7 million or 3.9% was mainly due to the accrual of a one-time bonus of $8.1 million based on Coalition Agreement in fiscal year 2023. The increase in non-cash pension expenses of $46.3 million or 113.8%, and increase in non-cash OPEB expenses of $9.6 million or 48.1% were mainly due to negative return on the market value of the plan assets recognized in fiscal year 2023. A negative return of (8.11)% on the market value of retirement plan assets in fiscal year 2023 was recognized as compared to a return of 28.5% on the market value of retirement plan assets in fiscal year 2022. A negative return of (9.52)% on the market value of OPEB assets was recognized in fiscal year 2023 as compared to a return of 34.0% on the market value of OPEB assets in fiscal year 2022. The increase in retirement contributions of $7.7 million or 8.3% in fiscal year 2023 was a result of a higher contribution rate as calculated by LACERS' actuary. For Tier 1 members, the contribution rate was 33.93% in fiscal year 2023 compared to 32.81% in fiscal year 2022. For Tier 3 members, the contribution rate was 31.35% in fiscal year 2023 compared to 30.16% in fiscal year 2022. The increase in worker's compensation of $2.9 million or 35.1% was a result of higher worker's compensation claims recognized in fiscal year 2023.

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[5] *In the comparison between fiscal year 2023 with 2022, the fiscal year 2022 financial statements have been restated for the adoption of GASB 96, SBITA, effective July 1, 2021.*

Contractual services increased by $24.4 million or 9.7%. The increase was primarily across the board among all contractual expenses as a result of the increase in passenger traffic causing a higher demand for services. Major contractual expenses experienced notable increases include increase in Common Use Services of $7.8 million, increase in Flyaway services of $5.1 million, increase in ground transportation of $4.6 million, increase in landside parking of $3.1 million, increase in various facilities maintenance of $0.8 million, and an increase of $3.0 million due to recognition of the new leases in fiscal year 2023.

Materials and supplies expenses increased by $1.1 million from $40.9 million to $42.0 million in fiscal year 2023. Major materials and supplies expenses experienced notable increases included increase in Custodial Supplies & Services of $2.0 million, increase in Electric Maintenance Materials of $1.5 million, increase in Automotive Equipment of $0.9 million, increase in Air Conditioning Repair and Materials of $0.7 million, and increase in Field Paint, Supplies and Services of $0.6 million, offset by decrease in materials and supplies expenses of $4.6 million due to less leases in fiscal year 2023.

Utilities expenses were $58.9 million and $49.0 million in fiscal year 2023 and 2022, respectively. The increase in utilities was primarily driven by increase of $7.4 million in electricity, increase of $3.2 million in gas expenses, increase of $0.5 million in telephone expenses, offset by a decrease in water charges of $1.2 million in fiscal year 2023. Overall, the increase in utilities was primarily a result of the increase in passenger traffic, in addition to the increase in utility rates in fiscal year 2023. The decrease in water charges was primarily a result of a one-time California Water and Wastewater Payment Program credit of $1.9 million, and reversal of an over-accrual of water charges of $3.1 million, offset by increase in water usage of $3.8 million due to higher usage as a result of the increased passenger traffic and increased water rates in fiscal year 2023.

Other operating expenses were $23.5 million and $20.7 million in fiscal year 2023 and 2022, respectively. Major other operating expenses experienced notable increases included increase in insurance expenses of $2.3 million due to rate hike and higher insured coverage value for property insurance, and an increase of $0.5 million due to recognition of the new leases in fiscal year 2023.

Depreciation charges increased from $629.0 million to $689.8 million in fiscal year 2023. The increase of $60.8M is mainly due to the capitalization of approximately $2.3 billion capital assets resulting in addition of about $49.7 million in depreciation of newly capitalized assets in fiscal year 2023. Depreciation of the major newly capitalized assets includes T1.5 ($9.3 million), T3 ($7.9 million), T2/3 Central Headhouse ($7.8 million), T5 ($7.7 million), T2 ($7.0 million), T4 ($4.4 million), T4.5 ($1.6 million), T6 ($1.5 million) and others ($5.6 million) in fiscal year 2023. The increase was partially offset by decrease in depreciation of fully depreciated and retired assets of $3.1 million.

A 15% burden rate of their operating costs is allocated to the other airports for central services costs that are paid for by LAX. Such central service costs include general administration, financial and human resource services among other costs.

Management's Discussion and Analysis (Unaudited)
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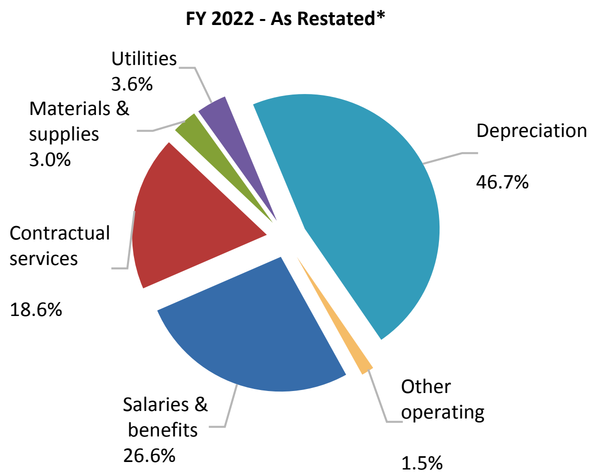
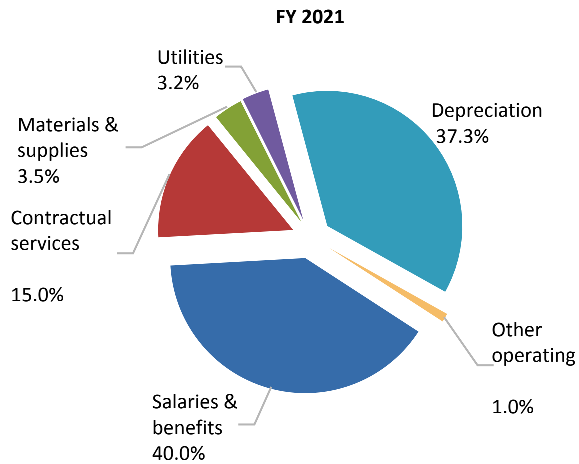
(continued)

Operating Expenses, Fiscal Year 2022

The following chart illustrates the proportion of categories of operating expenses, before allocation to other airports, for fiscal years ended June 30, 2022 and 2021.





For the fiscal year ended June 30, 2022, operating expenses before allocation to other airports were $1.3 billion, a $136.5 million or 11.3% increase from the prior fiscal year. Almost all expense categories experienced notable increases except salaries and benefits, which experienced a decrease of $126.1 million or 26.0%. There was an increase in contractual services of $68.9 million or 37.9%, decrease in materials and supplies of $1.3 million or 3.0%, increase in utilities of $10.0 million or 25.6%, increase in other operating expenses of $7.9 million or 61.3%, and increase in depreciation of $177.1 million or 39.2%.

Salaries and benefits expenses decreased by $126.1 million or 26.0%. The decrease was mainly driven by a reduction in employer non-cash pension expense of $100.3 million or 168.3% and non-cash OPEB expense of $19.8 million or 9,784.4%. The primary cause of the decrease in employer pension expense was a result of the 28.5% return on the market value of assets for the year ended June 30, 2021 that was more than the assumption of 7.0% used in the June 30, 2020 valuation. The decrease in employer OPEB expense was mainly due to an investment gain from actual returns of about 34.0% compared to an expected return of 7.0%, and 2021/2022 premium and subsidy levels lower than expected from favorable premium renewal experience for calendar year 2022, offset to some degree by an updated trend assumption for projecting medical premiums after 2020/2021. Salaries and overtime had an increase of $4.6 million or 1.7% mainly driven by higher overtime with reduction in headcount from 3,031 in fiscal year 2021 to 2,946 in fiscal year 2022. As a result of the reduction in headcount, the related benefits expenses were decreased. Retirement contributions decreased by $6.0 million or 6.1%; healthcare subsidy decreased by $2.1 million or 4.6%, and workers' compensation decreased by $2.5 million or 22.9%.

Contractual services increased by $68.9 million or 37.9%. The increase was primarily across the board among all contractual expenses, including an increase of $46.3 million in Common Use Services, an increase of $10.3 million in Operation Strategic Plan for LAXit Parking Management, an increase of $10.0 million for management fees and shuttle services for landside parking, an increase of $1.2 million for bond advisory services, and an increase of $1.1 million for US Customs and Border Protection services.

Materials and supplies expenses were $40.9 million and $42.2 million in fiscal year 2022 and 2021, respectively. Major materials and supplies expenses experienced notable increases include an increase of $2.1 million in computer software supplies, an increase of $0.8 million in custodial supplies and services, an increase of $1.3 million in fuel and petroleum services, an increase of $1.0 million in street cleaning supplies and services, and an increase of $1.1 miilion in recycling, trash and waste disposal services, offset by a decrease of $7.3 million due to recognition of subscription licenses in fiscal year 2022.

Utilities expenses were $49.0 million and $39.0 million in fiscal year 2022 and 2021, respectively. The increase in utilities was primarily driven by an increase of $6.3 million in electricity, an increase of $2.5 million in gas expenses, and an increase of $2.1 million in water charges, offset by an increase in utilities capitalization of $1.0 million. The increase in utilities was primarily a result of the 108.9% increase in passenger traffic in fiscal year 2022.

Other operating expenses were $20.7 million and $12.8 million in fiscal year 2022 and 2021, respectively. Major other operating expenses experienced notable increases include an increase in insurance expenses of $4.5 million due to rate hike and higher insured coverage value for property insurance, and an increase in bad debt expense of $2.1 million as a result of the reversal of $1.8 million bad debt expense in fiscal year 2021 to an expense of $0.3 million in fiscal year 2022. The reversal of bad debt expense in fiscal year 2021 was due to lower bad debt allowance driven by lower account receivable balance at year-end.

Depreciation charges increased from $451.9 million to $629.0 million in fiscal year 2022. The increase in depreciation charges was primarily due to capitalization of approximately $2.1 billion capital assets resulting in addition of about $104.5 million in depreciation of newly capitalized assets in fiscal year 2022. Depreciation of the major newly capitalized assets include T2 and T3 Modernization ($51.8 million), Terminal 1.5 ($19.2 million), T5 Interiors and Gate Realignment ($7.8 million), Intermodal Transportation Facility ($5.6 million), TBITEC Baggage Optimization ($5.1 million), Airport Police Facility ($4.9 million), Taxiway C14 ($2.8 million), and MSC/Bradley West Gates ($2.7 million).

A 15% burden rate of their operating costs is allocated to the other airports for central services costs that are paid for by LAX. Such central service costs include general administration, financial and human resource services among other costs.

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(continued)

Nonoperating Transactions

Nonoperating transactions are activities that do not result from providing services or producing and delivering goods in connection with LAX's ongoing operations. The following table presents a summary of these activities during fiscal years 2023, 2022, and 2021.

Summary of Nonoperating Transactions
(amounts in thousands)

	FY 2023	**As Restated*** FY 2022	**As Restated*** FY 2021	FY 2023 increase (decrease)	FY 2022 increase (decrease)
Nonoperating revenue					
Passenger facility charges	$ 144,322	$ 124,856	$ 68,748	$ 19,466	$ 56,108
Customer facility charges	66,518	60,991	32,606	5,527	28,385
Interest and investment income (loss)	77,081	(78,791)	(6,167)	155,872	(72,624)
Interest income from leases	5,822	6,715	8,469	(893)	(1,754)
Other nonoperating revenue	22,123	10,722	10,265	11,401	457
	$ 315,866	$ 124,493	$ 113,921	$ 191,373	$ 10,572
Nonoperating expenses					
Interest expense	$ 426,326	$ 361,110	$ 313,797	$ 65,216	$ 47,313
Other nonoperating expenses	73,457	8,454	8,677	65,003	(223)
	$ 499,783	$ 369,564	$ 322,474	$ 130,219	$ 47,090
Federal and other government grants	$ 387,533	$ 31,864	$ 313,032	$ 355,669	$ (281,168)

Nonoperating Transactions, Fiscal Year 2023[6]

PFCs increased by $19.5 million or 15.6% from $124.9 million to $144.3 million as a result of the increase of 16.9% passenger traffic in fiscal year 2023. CFCs, which are imposed on each car rental transaction collected by car rental concessionaires and remitted to LAX, increased by $5.5 million or 9.1% from $61.0 million to $66.5 million in fiscal year 2023. The increase was primarily due to the increase in passenger traffic in fiscal year 2023.

Interest and investment income increased by $155.9 million from $(78.8) million to $77.1 million in fiscal year 2023. This was primarily due to higher interest rates, higher average balance of cash and pooled investments held in City Treasury, in addition to higher construction funds balances as a result of the unspent bond proceeds, offset by a decrease of $47.4 million in net year-end adjustment to the fair value of investment securities.)

Interest income from leases decreased by $0.9 million from $6.7 million to $5.8 million. The decrease was due to recognition of the annual amortization related to leases.

Interest expenses increased by $65.2 million or 18.1% from $361.1 million to $426.3 million in fiscal year 2023. The increase was mainly due to increase of $75.4 million bond interest expenses due to the net additional issuances of $1.2 billion revenue bonds (after refunding) to finance capital improvement projects at LAX, offset by additional amortization of bond premium in the amount of $12.4 million in fiscal year 2023.

Other nonoperating revenue increased by $11.4 million or 106.3% from $10.7 million to $22.1 million in fiscal year 2023. The increase was primarily due to one-time litigation settlement of $5.6 million to cover attorneys' fees and costs of litigation incurred by LAX, $5.1 million net gain on bond defeasance for bond series 2016A, 2019C, 2021 D&E, and $1.0 million gain related to leases, offset by decrease of $0.6 million in BABs subsidy in fiscal year 2023.

Other nonoperating expenses increased by $65.0 million or 768.9% from $8.5 million to $73.5 million in fiscal year 2023. The increase was primarily due to write-off of $29.0 million and $33.3 million assets on demolition of T3 and T4, respectively, and write-off of $6.2 million project costs due to discontinuation of certain Capital Improvement Plan projects, offset by decrease of $3.5 million in bond expenses in fiscal year 2023.

Federal and other government grants increased by $355.7 million, or 1,116.2% from $31.9 million to $387.5 million. The increase was primarily due to reimbursements for the ARPA grants of $267.0 million, in addition to the increase of $46.2 million in CRRSAA grants from $8.5 million in fiscal year 2022 to $54.7 million in fiscal year 2023, increase of $37.3 million in TSA contributions from $1.1 million in fiscal year 2022 to $38.4 million in fiscal year 2023, and increase of other AIP grants of $5.3 million in fiscal year 2023.

[6] *In the comparison between fiscal year 2023 with 2022, the fiscal year 2022 financial statements have been restated for the adoption of GASB 96, SBITA, effective July 1, 2021.*

Nonoperating Transactions, Fiscal Year 2022

PFCs increased by $56.1 million or 81.6% from $68.7 million to $124.9 million as a result of the increase of 108.9% passenger traffic in fiscal year 2022. CFCs, which are imposed on each car rental transaction collected by car rental concessionaires and remitted to LAX, increased by $28.4 million or 87.1% from $32.6 million to $61.0 million in fiscal year 2022. The increase was primarily due to the increase in passenger traffic in fiscal year 2022.

Interest and investment income decreased by $72.6 million from $(6.2) million to $(78.8) million in fiscal year 2022. This was mainly due to the lower interest rate and average balance of cash and pooled investments held in City Treasury, in addition to the decrease in net year-end adjustment to the fair value of investment securities. Interest expenses increased by $47.3 million or 15.1% from $313.8 million to $361.1 million in fiscal year 2022. The increase was mainly due to an increase of $62.1 million bond interest expenses due to the net additional issuances of $2.0 billion revenue bonds (after refunding) to finance capital improvement projects at LAX, offset by additional amortization of bond premium in the amount of $20.2 million. Interest income from leases decreased by $1.9 million from $9.9 million to $8.0 million in fiscal year 2022.

Other nonoperating revenue increased by $0.4 million or 4.1% from $10.3 million to $10.7 million in fiscal year 2022.

Other nonoperating expenses decreased by $0.2 million or 3.0% from $8.7 million to $8.5 million in fiscal year 2022. The decrease was primarily due to the recognition of $2.5 million loss in discount due to the early payoff of the OIAA receivable balance in fiscal year 2021, offset by an increase of $2.2 million in bond issuance expenses in fiscal year 2022.

Federal and other government grants decreased by $281.2 million, or 89.8% from $313.0 million to $31.9 million. The decrease was primarily due to the recognition of $271.2 million as grants revenue to stabilize cost increases in airline rates at LAX in fiscal year 2021.

Long-Term Debt

As of June 30, 2023, LAX's outstanding long-term debt before unamortized premium was $11.1 billion. Issuances during the year amounted to $1.5 billion, redemption and refunding totaled $328.5 million, and payments for scheduled maturities were $137 million. Together with the unamortized premium, bonded debt of LAX increased by $1.0 billion to a total of $12.7 billion.

As of June 30, 2022, LAX's outstanding long-term debt before unamortized premium was $10.1 billion. Issuances during the year amounted to $2.4 billion, redemption and refunding totaled $398.6 million, and payments for scheduled maturities were $130.9 million. Together with the unamortized premium, bonded debt of LAX increased by $2.1 billion to a total of $11.7 billion.

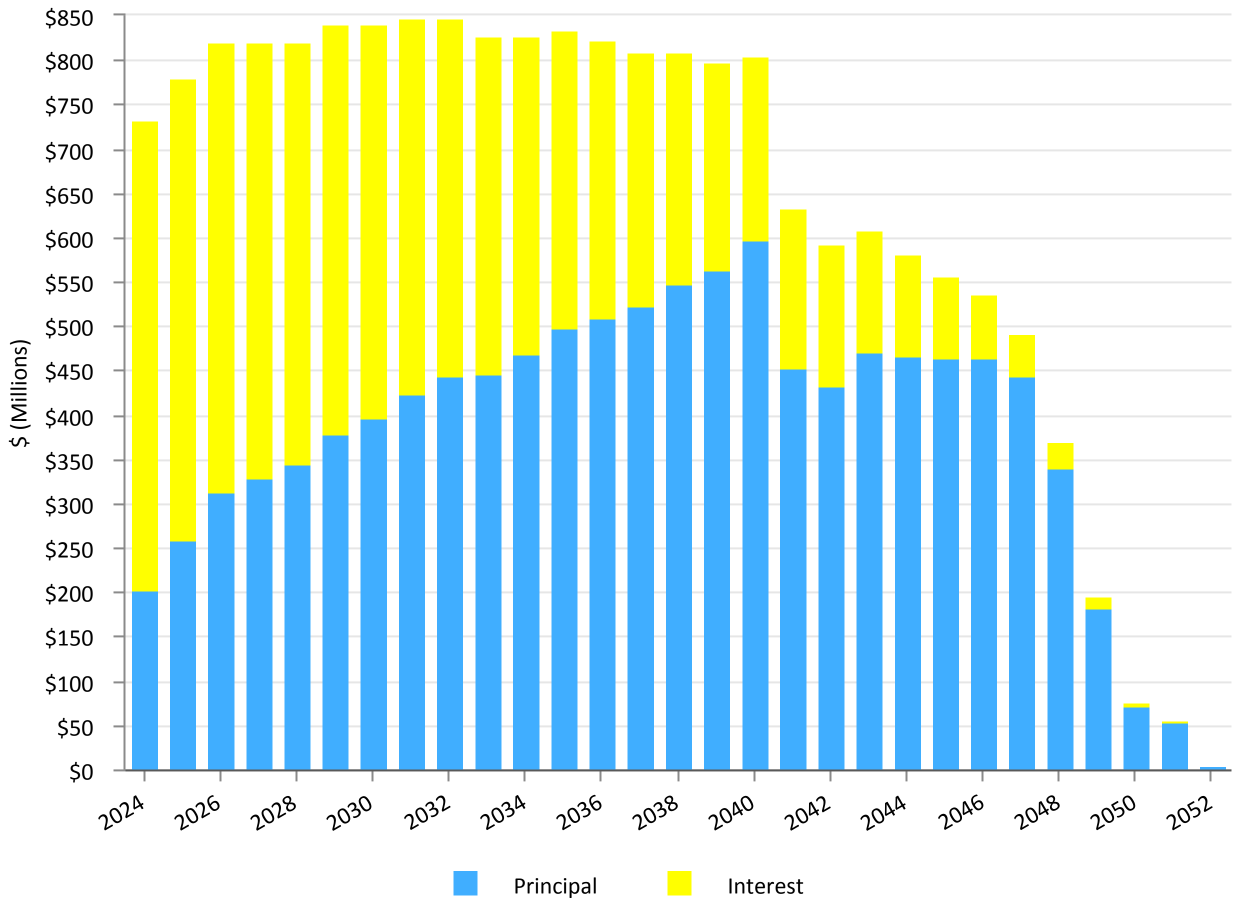
As of June 30, 2023 and 2022, LAX had $1.1 billion and $944.9 million investments, respectively, held by fiscal agents that are pledged for the payment or security of the outstanding bonds.

As of June 30, 2023 and 2022, LAX has underlying ratings of "AA", "Aa2" and "AA" on its senior lien debt and underlying ratings of "AA-", "Aa3" and "AA-" on its subordinate lien debt from Fitch Ratings (Fitch), Moody's Investors Service (Moody's) and Standard & Poor's Global Ratings (S&P), respectively.

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

Management's Discussion and Analysis (Unaudited)
June 30, 2023 and 2022
(continued)

Outstanding principal, plus scheduled interest as of June 30, 2023, is scheduled to mature as shown in the following chart (amounts in millions).



Capital Assets

LAX's investment in capital assets, net of accumulated depreciation, as of June 30, 2023 and 2022 were $16.3 billion and $14.8 billion, respectively. This investment, which accounts for 77.0% and 77.7% of LAX's total assets as of June 30, 2023 and 2022, respectively, includes land, air easements, buildings, improvements, equipment and vehicles, emission reduction credits, and construction work in progress. LAX adopted GASB Statement No. 96, *SBITA,* effective July 1, 2021, and GASB Statement No. 87, *Leases,* effective July 1, 2020, and recognized net right-of-use assets of $64.4 million and $63.4 million as of June 30, 2023 and 2022, respectively.

LAX'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 2023

Major capital expenditure activities during fiscal year 2023 included:

- $1.1 billion improvements at Terminals 1 to 8
- $699.8 million construction of Consolidated Rental Car Facility (ConRAC)
- $245.0 million construction of Automated People Mover System (APM)
- $60.5 million construction of runways and taxiways
- $30.8 million Receiving Station Project (RS-X)
- $9.8 million construction of Intermodal Transportation Facility - West

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

Capital Assets, Fiscal Year 2022

Major capital expenditure activities during fiscal year 2022 included:

- $280.7 million renovations at Terminals 1 to 8
- $220.1 million construction of APM
- $225.5 million construction of ConRAC
- $98.7 million construction of runways and taxiways
- $73.9 million Baggage Optimization Project
- $67.2 million interior improvements and security upgrades at Tom Bradley International Terminal (TBIT) and Bradley West
- $64.3 million RS-X

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

Landing Fees

The airline landing fees for fiscal year 2024, as approved by the LAWA Board of Commissioners on June 15, 2023 and became effective as of July 1, 2023, 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	$83.00	$104.00
For each landing of aircraft having a maximum gross landing weight of more than 12,500 pounds up to and including 25,000 pounds	160.00	200.00
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	4.82	6.03
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	6.40	8.00

The airline landing fees for fiscal year 2023, as approved by the LAWA Board of Commissioners on June 2, 2022 and became effective as of July 1, 2022, 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	$76.00	$95.00
For each landing of aircraft having a maximum gross landing weight of more than 12,500 pounds up to and including 25,000 pounds	146.00	183.00
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	4.24	5.30
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	5.83	7.29

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

Request for Information

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

FINANCIAL STATEMENTS

2023 ANNUAL FINANCIAL REPORT

LOS ANGELES INTERNATIONAL AIRPORT

FINANCIAL STATEMENTS

Los Angeles World Airports

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

Los Angeles International Airport

Statements of Net Position

June 30, 2023 and 2022

(amounts in thousands)

		2023		As Restated* 2022
ASSETS				
Current Assets				
Unrestricted current assets				
Cash and pooled investments held in City Treasury	$	1,844,716	$	1,417,043
Investments with fiscal agents		1,835		2,086
Accounts receivable, net of allowance for uncollectible accounts: 2023 - $503 ; 2022 - $467		24,676		21,688
Unbilled receivables		44,534		1,708
Accrued interest receivable		9,225		6,182
Grants receivable		16,948		19,074
Lease receivable		32,177		48,045
Due from other agencies		45,368		45,661
Prepaid expenses		10,434		8,932
Inventories		1,500		1,530
Total unrestricted current assets		2,031,413		1,571,949
Restricted current assets				
Cash and pooled investments held in City Treasury		499,243		483,196
Investments with fiscal agents, includes cash and cash equivalents, related to bonded debt: 2023 - $1,861,281; 2022 - $1,974,742		2,172,009		1,974,742
Accrued interest receivable		953		686
Passenger facility charges receivable		23,158		14,467
Customer facility charges receivable		5,897		6,666
Total restricted current assets		2,701,260		2,479,757
Total current assets		4,732,673		4,051,706
Noncurrent Assets				
Capital assets				
Not depreciated		3,810,576		4,765,477
Depreciated, net		12,423,995		9,939,821
Amortized, net		64,435		63,414
Total capital assets		16,299,006		14,768,712
Other noncurrent assets				
Prepaid bond insurance premium		4,516		4,697
Lease receivable, net of current portion		126,391		159,718
Net OPEB asset		—		30,042
Total other noncurrent assets		130,907		194,457
Total noncurrent assets		16,429,913		14,963,169
TOTAL ASSETS		21,162,586		19,014,875
DEFERRED OUTFLOWS OF RESOURCES				
Loss on debt refundings		36,789		41,885
Pension and OPEB		247,220		185,975
TOTAL DEFERRED OUTFLOWS OF RESOURCES		284,009		227,860

** The fiscal year 2022 financial statements have been restated for the adoption of GASB 96, SBITA, effective July 1, 2021.*

Statements of Net Position (continued)
June 30, 2023 and 2022
(amounts in thousands)

	2023	As Restated* 2022
LIABILITIES		
Current Liabilities		
Current liabilities payable from unrestricted assets		
Contracts and accounts payable	$ 346,905	$ 245,479
Accrued salaries	19,992	13,819
Accrued employee benefits	7,565	6,421
Estimated claims payable	11,161	9,850
Lease liabilities	8,387	7,568
Subscription liabilities	2,294	7,149
PPP availability payment liabilities	9,774	—
Commercial paper	229,541	153,916
Accrued interest payable	92	5,444
Obligations under securities lending transactions	7,725	20,703
Other current liabilities	36,389	27,389
Total current liabilities payable from unrestricted assets	679,825	497,738
Current liabilities payable from restricted assets		
Contracts and accounts payable	2,432	717
Current maturities of bonded debt	203,250	143,365
Accrued interest payable	67,553	60,113
Obligations under securities lending transactions	1,939	6,809
Other current liabilities	4,730	3,882
Total current liabilities payable from restricted assets	279,904	214,886
Total current liabilities	959,729	712,624
Noncurrent Liabilities		
Bonded debt, net of current portion	12,528,171	11,545,992
Accrued employee benefits, net of current portion	51,998	50,911
Estimated claims payable, net of current portion	86,832	88,204
Lease liabilities, net of current portion	52,942	46,684
Subscription liabilities, net of current portion	2,218	3,764
PPP availability payment liabilities, net of current portion	584,131	—
Net pension liability	868,926	536,500
Net OPEB liability	26,907	—
Other long-term liabilities	885	885
Total noncurrent liabilities	14,203,010	12,272,940
TOTAL LIABILITIES	15,162,739	12,985,564
DEFERRED INFLOWS OF RESOURCES		
Gain on debt refundings	54,716	53,326
Pension and OPEB	107,578	440,465
Leases	146,236	196,777
TOTAL DEFERRED INFLOWS OF RESOURCES	308,530	690,568
NET POSITION		
Net investment in capital assets	4,770,009	4,833,830
Restricted for:		
Passenger facility charges eligible projects	274,714	256,261
Customer facility charges eligible projects	11,820	11,403
Operations and maintenance reserve	232,615	223,815
Federally forfeited property and protested funds	1,753	2,233
Unrestricted	684,415	239,061
TOTAL NET POSITION	$ 5,975,326	$ 5,566,603

See accompanying notes to the financial statements.

Los Angeles World Airports

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

Los Angeles International Airport

Statements of Revenues, Expenses and Changes in Net Position
For the Fiscal Years Ended June 30, 2023 and 2022

(amounts in thousands)

	2023	As Restated* 2022
OPERATING REVENUE		
Aviation revenue		
Landing fees	$ 328,099	$ 250,171
Reliever airport fee	(836)	—
Building rentals	815,490	641,360
Land rentals	121,601	112,040
Other aviation revenue	5,135	5,590
Total aviation revenue	1,269,489	1,009,161
Concession revenue	447,478	366,312
Other operating revenue	9,454	6,973
Total operating revenue	1,726,421	1,382,446
OPERATING EXPENSES		
Salaries and benefits	435,105	358,445
Contractual services	275,150	250,716
Materials and supplies	42,044	40,923
Utilities	58,879	48,985
Other operating expenses	23,533	20,669
Allocated administrative charges	(3,163)	(3,099)
Total operating expenses before depreciation and amortization	831,548	716,639
Operating income before depreciation and amortization	894,873	665,807
Depreciation and amortization	689,766	629,021
OPERATING INCOME	205,107	36,786
NONOPERATING REVENUE (EXPENSES)		
Passenger facility charges	144,322	124,856
Customer facility charges	66,518	60,991
Interest and investment gain (loss)	77,081	(78,791)
Interest income from leases	5,822	6,715
Interest expense	(426,326)	(361,110)
Other nonoperating revenue	22,123	10,722
Other nonoperating expenses	(73,457)	(8,454)
Total nonoperating expenses, net	(183,917)	(245,071)
INCOME (LOSS) BEFORE CAPITAL GRANTS	21,190	(208,285)
Federal and other government grants	387,533	31,864
CHANGE IN NET POSITION	408,723	(176,421)
NET POSITION, BEGINNING OF YEAR	5,566,603	5,743,024
NET POSITION, END OF YEAR	$ 5,975,326	$ 5,566,603

See accompanying notes to the financial statements.

Los Angeles World Airports

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

Los Angeles International Airport

Statements of Cash Flows

For the Fiscal Years Ended June 30, 2023 and 2022

(amounts in thousands)

	2023	As Restated* 2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 1,721,894	$ 1,398,871
Payments to suppliers	(197,091)	(273,303)
Payments for employee salaries and benefits	(422,759)	(420,946)
Payments for City services	(113,945)	(121,446)
Inter-agency receipts for services, net	3,163	3,099
Net cash provided by operating activities	991,262	586,275
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Noncapital grants received	10,069	10,386
Inter-agency transfers in	293	975
Net cash provided by noncapital financing activities	10,362	11,361
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of revenue bonds and commercial paper notes	1,695,161	2,588,291
Principal paid on revenue bonds and commercial paper notes	(351,101)	(354,772)
Interest paid on revenue bonds and commercial paper notes	(525,640)	(447,451)
Principal paid on leases and subscription assets	(21,252)	(20,405)
Interest paid on leases and subscription assets	(2,314)	(2,010)
Interest received on leases	5,959	6,724
Revenue bonds issuance costs	(1,821)	(2,490)
Payments to escrow accounts for bond defeasance	(111,985)	—
Acquisition and construction of capital assets	(1,705,197)	(1,387,163)
Proceeds from passenger facility charges	135,631	129,558
Proceeds from customer facility charges	67,287	58,904
Capital contributed by federal agencies	389,659	16,801
Net cash provided (used) for capital and related financing activities	(425,613)	585,987
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	121,366	25,941
Net change in fair value of investments	(47,732)	(105,454)
Cash collateral received (paid) under securities lending transactions	(17,848)	11,733
Sales (purchases) of investments	8,939	(19,465)
(Purchases) of investments held by fiscal agents	(310,728)	—
Net cash used in investing activities	(246,003)	(87,245)
NET INCREASE IN CASH AND CASH EQUIVALENTS	330,008	1,096,378
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,877,067	2,780,689
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 4,207,075	$ 3,877,067

	2023	As Restated* 2022
CASH AND CASH EQUIVALENTS COMPONENTS		
Cash and pooled investments held in City Treasury- unrestricted	$ 1,844,716	$ 1,417,043
Investments with fiscal agents- unrestricted	1,835	2,086
Cash and pooled investments held in City Treasury- restricted	499,243	483,196
Investments with fiscal agents- restricted	1,861,281	1,974,742
Total cash and cash equivalents	$ 4,207,075	$ 3,877,067
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 205,107	$ 36,786
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	689,766	629,021
Change in provision for uncollectible accounts	36	274
Other nonoperating revenues (expenses), net	6,932	336
Changes in operating assets and liabilities and deferred outflows and inflows of resources		
Accounts receivable	(3,024)	(12,546)
Unbilled receivables	(42,826)	34,210
Lease receivable	49,195	28,891
Prepaid expenses and inventories	(1,541)	(3,937)
Net OPEB asset	30,042	(30,042)
Contracts and accounts payable	133,397	(33,793)
Accrued salaries	6,173	5,023
Accrued employee benefits	2,231	(938)
Other liabilities	1,114	(2,707)
Deferred outflows/inflows related to Net Pension and OPEB liability	(34,799)	(30,619)
Deferred inflows related to leases	(50,541)	(33,684)
Total adjustments	786,155	549,489
Net cash provided by operating activities	$ 991,262	$ 586,275
SIGNIFICANT NONCASH CAPITAL AND RELATED FINANCING AND INVESTING ACTIVITIES		
Acquisition of capital assets included in contracts, accounts payable and PPP arrangement liabilities	$ 665,854	$ 102,205
Revenue bonds proceeds received in escrow trust fund	214,475	435,936
Debt defeased and related costs paid through escrow trust fund with revenue bonds	(214,475)	(435,936)
Net change in grants receivable	2,126	(15,063)

See accompanying notes to the financial statements.

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Index to the Notes to the Financial Statements

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

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Los Angeles World Airports

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

Los Angeles International Airport

Notes to the Financial Statements
June 30, 2023 and 2022

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.

The accompanying financial statements present the net position and changes in net position and cash flows of LAX. These financial statements are not intended to present the financial position and changes in financial position of LAWA or the City, or cash flows of LAWA or the City’s enterprise funds.

b. Basis of Accounting

LAX is reported as an enterprise fund and maintains its records on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US 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, 2023 and 2022
(continued)

c. Cash, Cash Equivalents, and Investments

LAX's cash, cash equivalents, and investments and a significant portion of its restricted cash and investments are maintained as part of the City's pool of cash and investments. LAX's portion of the pool is presented on the statements of net position as 'Cash and Pooled Investments Held in City Treasury'. 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. LAX considers its unrestricted and restricted cash and investments held in the City Treasury as demand deposits and therefore these amounts are reported as cash equivalents. LAX has funds that are held by fiscal agents. Investments with maturities of three months or less at the time of purchase are considered cash equivalents.

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

d. Accounts Receivables and Unbilled Receivables

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

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

e. Inventories

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

f. Capital Assets

All capital assets are carried at cost, or at acquisition value 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. LAX has a capitalization threshold of $5,000 for all capital assets other than internally generated computer software where the threshold is $500,000.

Preliminary costs of capital projects incurred prior to the finalization of formal construction contracts are 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.

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 land, air easements and emission reduction credits because they are considered inexhaustible.

g. Contracts Payable, Accounts Payable, and Other Liabilities

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

h. Operating and Nonoperating Revenues and Expenses

LAX 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 LAX's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. LAX derives its operating revenues primarily from landing fees, terminal space rental, auto parking, and concessions. LAX's major operating expenses include salaries and employee benefits, fees for contractual services including professional services, parking operations and shuttle services, and other expenses including depreciation and amortization, maintenance, insurance, and utilities.

i. Landing Fees

Landing fee rates determine the charges to the airlines each time that a qualified aircraft lands at LAX. 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, and the reconciled differences are recognized in Unbilled Receivables at the fiscal year end. VNY serves as a reliever airport for LAX. Any VNY subsidy, when provided, is recovered by LAX through an increase in landing fees at LAX. Landing fees at LAX are calculated based on LAX's operating costs and amortization of debt as well as certain costs associated with VNY.

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.

In December 2019, the Board approved a ten year extension of the Rate Agreement ("Amended and Restated Rate Agreement," or "Rate Agreement Amendment") which would, among other things: (i) extend the term and terms of the Rate Agreement through December 2032; (ii) require airlines executing a Rate Agreement Amendment to pay an "extraordinary debt service coverage charge" to LAWA designed to maintain a debt service coverage ratio equal to not less than 1.40X; and (iii) under certain circumstances, eliminate the requirement that a participating airline provide a performance guarantee and instead pay to LAWA a 'bad debt surcharge', a pooled surcharge designed to compensate LAWA for bad debt costs.

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.

In response to the COVID-19 pandemic, LAWA proactively implemented measures intended to mitigate operational and financial impacts. Among those measures were the April 2020 approvals of the Passenger Airline Temporary Relief Program and the Concessionaires and Services Temporary Relief

Program. On October 21, 2021, the Board approved to amend concession agreements at LAX to revise payment terms due to the continuing impacts of COVID-19. For concessions that were open and conducting business at LAX, the Board approved to extend the revised rent payment terms, required payment of percentage rents instead of Minimum Annual Guarantee (MAG) rent for the period July 1, 2021 through June 30, 2022, and established new MAG rents effective July 1, 2022.

In addition, LAWA developed an Airline Cost Stability and Recovery Plan (ACSRP) aimed at managing rates and charges at LAX through fiscal year 2023. The key objectives of this plan were to: 1) make LAX rates and charges more competitive; 2) mitigate the increase in rates and charges for airlines due to reduced activity; 3) harmonize common use costs across the airport; and 4) achieve stability in LAX financial operations. As part of the ACSRP, LAWA completed taking over the operations and maintenance and rate setting responsibilities for the common use facilities from the Tom Bradley International Terminal Equipment Company, an airline consortium. LAWA completed the following actions according to the Plan: (1) amended the methodology for establishing rates and charges for the use of terminal facilities and equipment (Amended Rate Methodology); (2) amended and restated the Amended and Restated Rate Agreement (Further Amended and Restated Rate Agreement or FARRA); (3) revised terminal rates and charges to include costs previously collected by the consortium and cost reduction and deferral measures per the ACSRP; (4) revised landing and apron fees to include cost deferrals, per the ACSRP.

In June 2021, the Board adopted the Amended Rate Methodology and the FARRA. The FARRA, which extended the Agreement to fiscal year 2033, implemented the Amended Rate Methodology and streamlined LAWA’s common use rate structure. Passenger airlines and approved airline consortiums that are party to the current Amended and Restated Rate Agreement were given a deadline of September 30, 2021 to execute and deliver to LAWA the FARRA. Overall, about 69% of passenger airlines executed and delivered the FARRA.

As aeronautical activity continues to recover from the adverse impact of the COVID-19 pandemic, LAWA revised and amended the Rate Methodology and Rate Agreement to complete the rate stabilization and harmonization efforts started several years ago. The revisions to the Methodology further streamline the common use rates and charges, permit LAWA to defer common use cost requirements due to exogenous causes, and allow LAWA to expense capital outlays into the current year rate base. The Amended and Restated Agreement (Amended and Restated Rate Agreement, or 2023 ARRA) implements the Amended Rate Methodology and offer signatory carriers certain concessions, including a gradual phase-in of newly-developed access facilities acreage and costs allocable to airline cost centers and cost reductions to certain activity based requirements, collectively, the FY2024 Adjustments.

In June 2023, the BOAC approved the Tariff Amendment No.6, the Amended Rate Methodology, and the 2023 ARRA effective July 1, 2023. LAWA is providing the airlines currently operating at LAX the opportunity to execute and deliver the 2023 ARRA to LAWA by the deadline of December 31, 2023. LAWA reserves the right to reverse the mitigations for the carriers who choose not to sign the 2023 ARRA by the deadline. After December 31, 2023, 2023 ARRA signatories will be charged pursuant to that agreement; carriers that are signatories to prior Rate Agreements, but do not sign 2023 ARRA, will be charged according to their Rate Agreement in effect.

Airlines and consortiums that choose to execute the Agreement but deliver after the deadline date shall not receive the benefit of the FY2024 Adjustments. Such airlines will only receive the benefit of the Access Area Phase-In from the Fiscal Year that immediately follows the execution date.

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June 30, 2023 and 2022
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k. Concession Revenue

Concession revenues are generated through LAX terminal 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 LAX are typically based on negotiated agreements with these parties to remit amounts based on either a MAG or on gross receipts. Amounts recorded to revenue are determined by the type of revenue category set up in the general ledger system and integrated with the monthly accounts receivable billing process. Concession revenue is recorded as it is earned. Some tenant agreements require self-reporting of concession operations and/or sales. The tenants' operations report and payment are due to LAX in the month following the activity. The timing of concessionaire reporting and when revenue earned is recorded, will determine when or if accruals are required for each tenant agreement.

In response to the COVID-19 pandemic, LAX has implemented measures intended to mitigate operational and financial impacts. Among those measures were the April 2020 approvals of the Passenger Airline Temporary Relief Program and the Concessionaires and Services Temporary Relief Program. On October 21, 2021, the Board approved to amend concession agreements at LAX to revise payment terms due to the continuing impacts of COVID-19. For concessions that were open and conducting business at LAX, the Board approved to extend the revised rent payment terms, required payment of percentage rents instead of MAG rent for the period July 1, 2021 through June 30, 2022, and established new MAG rents effective July 1, 2022.

l. 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. LAX 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, 2023 and 2022 are as follows (amounts in thousands):

Type of benefit	2023	2022
Accrued vacation leave	$ 38,157	$ 37,139
Accrued sick leave	21,406	20,193
Sub-total	59,563	57,332
Current portion	(7,565)	(6,421)
Noncurrent portion	$ 51,998	$ 50,911

n. Deferred Outflows and Inflows of Resources

In addition to assets and liabilities, LAX reports a separate section for deferred outflows of resources and deferred inflows of resources, respectively. Deferred outflows of resources represent a consumption of net assets 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 net assets that applies to future reporting period(s) that won't be recognized as an inflow of resources until then. LAX has deferred charges on debt refunding to account for gain/loss on bond refunding transactions, deferred outflows/ inflows of resources related to pensions and other postemployment benefit (OPEB), and deferred inflows of resources related to leases.

For fiscal years ended June 30, 2023 and 2022, LAX reported total DO/DI related to pensions/OPEB as below (amounts in thousands):

	2023	2022
Deferred outflows of resources related to pensions		
LACERS - proportionate shares	$ 210,441	$ 154,843
LAFPP - proportionate shares	3,223	3,049
Total	$ 213,664	$ 157,892
Deferred outflows of resources related to OPEB		
LACERS - proportionate shares	$ 32,209	$ 26,830
LAFPP - proportionate shares	1,347	1,253
Total	$ 33,556	$ 28,083
Total deferred outflows of resources related to pensions/OPEB	$ 247,220	$ 185,975
Deferred inflows of resources related to pensions		
LACERS - proportionate shares	$ 62,199	$ 331,999
LAFPP - proportionate shares	826	2,034
Total	$ 63,025	$ 334,033
Deferred inflows of resources related to OPEB		
LACERS - proportionate shares	$ 43,988	$ 105,645
LAFPP - proportionate shares	565	787
Total	$ 44,553	$ 106,432
Total deferred inflows of resources related to pensions/OPEB	$ 107,578	$ 440,465

Notes to the Financial Statements
June 30, 2023 and 2022
(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.

LAX 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. Leases

LAX as Lessee

LAX, as a lessee, recognizes a lease liability and an intangible right-of-use asset at the commencement of a lease, unless the lease is considered a short-term lease or transfers ownership of the underlying assets. Right-of-use lease asset is measured based on the net present value of the future payments to be made, using LAX's weighted average cost of capital, which approximates LAX's incremental borrowing rate. Remeasurement of lease liability occurs when there is a change in the lease term and/or other changes that are likely to have a significant impact on the lease liability.

LAX calculates amortization of the discount on the lease liability and reports that amount as outflow of resources in that period. Payments are allocated first to accrued interest liability and then to the lease liability. Variable lease payments based on the usage of the underlying assets are not included in the lease liability calculations and are recognized as outflows of resources in the periods in which the obligation for the payments are incurred.

LAX as Lessor

LAX, as a lessor, recognizes a lease receivable, measured using a present value of the lease payments (based on LAX's weighted average cost of capital, which approximates a discount rate that LAX charges the lessee) expected to be received for the lease term, and a deferred inflow of resources at the commencement of the lease term, with certain exceptions for regulated leases and short-term leases. The deferred inflow of resources is measured as the value of the lease receivable in addition to any payments received at or before the commencement of the lease term that relate to future periods.

Periodic amortization of the discount on the receivable is reported as interest revenue for that period. Deferred inflows of resources are recognized as inflows on a straight-line basis over the term of the lease. Any initial direct costs are reported as an outflow of resources for that period. Remeasurement of lease receivable occurs when there are modifications, including but not limited to changes in the lease charges, lease term and adding or removing an underlying asset to the lease agreements. In the case of a partial or full lease termination, LAX will reduce the carrying value of the lease receivable and the related deferred inflow of resources and include a gain or loss for the difference.

For lease agreements that are short-term, LAX recognizes lease payments as inflows of resources (revenues) based on the payment provisions of the lease agreement. Liabilities are only recognized if payments are received in advance, and receivables are only recognized if payments are received subsequent to the reporting period.

Regulated Leases

The leases between LAX and air carriers and other aeronautical users are subject to external laws and regulations. As permitted by GASB Statement No. 87, LAWA recognizes inflows of resources based on the payment provisions of the lease agreement, and the accounting policies under 'LAX as Lessor' do not apply to regulated leases. Additional disclosures regarding regulated leases are in Note 8.

Subscription Based Information Technology Agreements (SBITA)

In accordance with GASB 96, LAX recognizes short-term subscription payments, which have a maximum possible term under the SBITA contract of 12 months or less, as outflows of resources in the period incurred.

LAX recognizes subscription liability and intangible right-of-use subscription asset at the commencement of the contract, unless the contract is considered a transfer ownership of the underlying assets. Right-of-use subscription asset is measured based on the net present value of the future payments to be made, using LAX's weighted average cost of capital, which approximates LAX's incremental borrowing rate. Remeasurement of subscription liability occurs when there is a change in the subscription term and/or other changes that are likely to have a significant impact on the subscription liability.

LAX calculates amortization of the discount on the subscription liability and reports that amount as outflow of resources in that period. Payments are allocated first to accrued interest liability and then to the subscription liability. Variable subscription payments based on the usage of the underlying subscription assets are not included in the subscription liability calculations and are recognized as outflows of resources in the periods in which the obligation for the payments are incurred.

Notes to the Financial Statements
June 30, 2023 and 2022
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r. 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 LAX that is not restricted for any project or other purpose.

s. Use of Restricted/Unrestricted Net Position

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

t. 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.

u. Restatement of Net Position

LAX adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*, as of July 1, 2021, and accordingly the fiscal year 2022 financial statements have been restated as summarized below (amounts in thousands):

	FY2022 As Previously Reported	Restatement related to adoption of GASB 96	FY2022 As Restated
Statement of Net Position			
Capital assets amortized, net	$ 52,309	$ 11,105	$ 63,414
Subscription liabilities, current	—	7,149	7,149
Accrued interest payable, current	5,179	265	5,444
Subscription liabilities, net of current portion	—	3,764	3,764
Net investment in capital assets	4,822,725	11,105	4,833,830
Unrestricted net position (deficit)	250,239	(11,178)	239,061
Net position	5,566,676	(73)	5,566,603
Statement of Revenues, Expenses and Changes in Net Position			
Materials and supplies	48,235	(7,312)	40,923
Depreciation and amortization	621,904	7,117	629,021
Interest expense	360,842	268	361,110
Change in net position	(176,348)	(73)	(176,421)

Notes to the Financial Statements
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2. New Accounting Standards

Implementation of the following GASB statements is effective fiscal year 2023.

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. LAX implemented this statement without material impact.

Issued in March 2020, GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangement,* improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). Additional information can be found in Note 16.

Issued in May 2020, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements,* provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This statement improves financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. Additional information can be found in Note 17.

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

Issued in April 2022, GASB Statement No. 99, *Omnibus 2022* aims to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. Consistent authoritative literature enables governments and other stakeholders to more easily locate and apply the correct accounting and financial reporting provisions, which improves the consistency with which such provisions are applied. The requirements related to extension of the use of London Interbank Offered Rate (LIBOR), accounting for the Supplemental Nutrition Assistance Program (SNAP) distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in GASB Statement No. 34**,** *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments,* as amended, and terminology updates related to GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments,* and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources,* are effective in April 2022, and were implemented. The requirements related to leases, public-public partnerships (PPPs), and subscription-based information technology arrangements (SBITAs) are effective for fiscal year 2023, and were implemented. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of GASB Statement No. 53 are effective in fiscal year 2024.

Issued in June 2022, GASB Statement No. 100, *Accounting Changes and Error Corrections - An Amendment of GASB Statement No. 62*, is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. Implementation of this statement is effective in fiscal year 2024.

Issued in June 2022, GASB Statement No. 101, *Compensated Absences* is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences. Implementation of this statement is effective in fiscal year 2025.

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).

LAX maintains a portion of its unrestricted and restricted cash and investments in the City's cash and investment pool (the Pool). LAX's share of $2.3 billion and $1.9 billion in the Pool as of June 30, 2023 and 2022 represented approximately 15.4% and 17.6% , respectively. There are no specific investments belonging to LAX. Included in LAX's portion of the Pool is the allocated investment agreements traded at year-end that were settled in the subsequent fiscal year. LAX's allocated shares for fiscal years 2023 and 2022 were $23.4 million and $14.5 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 fair 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.

LAX participates in the City's securities lending program through the pooled investment fund. LAX recognizes its proportionate share of the cash collateral received for securities loaned and related obligation for the general investment pool. At June 30, 2023, LAX's portion of the cash collateral and the related obligation in the City's program was $9.7 million. LAX's portion of the securities purchased from the reinvested cash collateral at June 30, 2023 was $9.7 million. Such securities are stated at fair value and reported under the cash and pooled investment held in City Treasury. LAX's portion of the noncash collateral at June 30, 2023 was $40.7 million. At June 30, 2022, LAX's portion of the cash collateral and the related obligation in the City's program was $15.8 million. LAX's portion of the securities purchased from the reinvested cash collateral at June 30, 2022 was $15.8 million. Such securities are stated at fair value and reported under the cash and pooled investment held in City Treasury. LAX's portion of the noncash collateral at June 30, 2022 was $140.2 million.

During the fiscal years, collateralizations on all loaned securities were within the required 102% of market value. The City can sell collateral securities only in the event of borrower default. The lending agent provides indemnification for borrower default. There were no violations of legal or contractual provisions and no borrower or lending agent default losses during the years. There was no credit risk exposure to the City at June 30, 2023 and 2022 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.

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c. Investments with Fiscal Agents

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

	2023	2022
Unrestricted, current		
Commercial paper and cash at bank	$ 1,835	$ 2,086
Restricted, current and noncurrent		
Bond security funds	1,104,030	944,900
Construction funds	1,067,979	1,029,842
Subtotal	2,172,009	1,974,742
Total	$ 2,173,844	$ 1,976,828

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

At June 30, 2023, the investments and their maturities are as follows (amounts in thousands):

		Investment maturities	
	Amount	1 to 60 days	61 to 365 days
Money market mutual funds	$ 1,378,213	$ 1,378,213	$ —
State of California LAIF	6	—	6
U.S. Treasury securities	790,731	—	790,731
Subtotal	2,168,950	$ 1,378,213	$ 790,737
Bank deposit accounts	4,894		
Total	$ 2,173,844		

At June 30, 2022, the investments and their maturities are as follows (amounts in thousands):

		Investment maturities	
	Amount	1 to 60 days	61 to 365 days
Money market mutual funds	$ 1,841,748	$ 1,841,748	$ —
State of California LAIF	131,939	—	131,939
Subtotal	1,973,687	$ 1,841,748	$ 131,939
Bank deposit accounts	3,141		
Total	$ 1,976,828		

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, 2023, the investments by fair value level are as follows (amounts in thousands):

	Amount	Fair Value Measurements Using Level 1
Money Market Funds	$ 1,378,213	$ 1,378,213
U.S. Treasury securities	790,731	790,731
Total investments by fair value level	2,168,944	$ 2,168,944
Investments not subject to fair value hierarchy		
State of California LAIF	6	
Bank deposit accounts	4,894	
Total	$ 2,173,844	

Notes to the Financial Statements
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(continued)

At June 30, 2022, the investments by fair value level are as follows (amounts in thousands):

	Amount	Fair Value Measurements Using Level 1
Money Market Funds by fair value level	$ 1,841,748	$ 1,841,748
Total investments by fair value level	1,841,748	$ 1,841,748
Investments not subject to fair value hierarchy		
State of California LAIF	131,939	
Bank deposit accounts	3,141	
Total	$ 1,976,828	

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

Credit Risk. The City's policy requires that a mutual fund must receive the highest ranking by not less than two nationally recognized rating agencies. At June 30, 2023 and 2022, 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 pass through 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, 2023, LAX's investments in the LAIF held by fiscal agents totaled $6.0 thousand. The total amount invested by all public agencies in LAIF at that date was $25.7 billion. The LAIF is part of the State's Pooled Money Investment Account (PMIA). As of June 30, 2023, the investments in the PMIA totaled $177.0 billion, of which 97.2% is invested in non-derivative financial products and 2.8% in structured notes and asset-backed securities. The weighted average maturity of LAIF investments was 260 days as of June 30, 2023. LAIF is not rated. As of June 30, 2022, LAX's investments in the LAIF held by fiscal agents totaled $131.9 million. The total amount invested by all public agencies in LAIF at that date was $35.8 billion. The LAIF is part of the State's PMIA. As of June 30, 2022, the investments in the PMIA totaled $231.9 billion, of which 98.1% is invested in non-derivative financial products and 1.9% in structured notes and asset-backed securities. The weighted average maturity of LAIF investments was 311 days as of June 30, 2022.

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

Notes to the Financial Statements
June 30, 2023 and 2022
(continued)

4. Capital Assets

LAX had the following activities in capital assets during fiscal year 2023 (amounts in thousands):

	As Restated* Balance at July 1, 2022	Additions	Retirements & disposals	Transfers	Balance at June 30, 2023
Capital assets not depreciated					
Land and land clearance	$ 1,168,314	$ —	$ —	$ 18,073	$ 1,186,387
Air easements	44,346	—	—	441	44,787
Emission reduction credits	2,772	—	—	—	2,772
Construction work in progress	3,550,045	2,254,327	(6,185)	(3,221,557)	2,576,630
Total capital assets not depreciated	4,765,477	2,254,327	(6,185)	(3,203,043)	3,810,576
Capital assets depreciated					
Buildings	6,292,970	(2,544)	(3,115)	2,460,991	8,748,302
Improvements	7,586,471	—	(136,338)	704,766	8,154,899
Equipment and vehicles	382,685	14,142	(813)	37,286	433,300
Intangible assets	64,062	693	—	—	64,755
Total capital assets depreciated	14,326,188	12,291	(140,266)	3,203,043	17,401,256
Accumulated depreciation					
Buildings	(1,254,835)	(269,373)	2,900	—	(1,521,308)
Improvements	(2,865,095)	(364,937)	74,294	—	(3,155,738)
Equipment and vehicles	(213,150)	(28,966)	771	—	(241,345)
Intangible assets	(53,287)	(5,583)	—	—	(58,870)
Total accumulated depreciation	(4,386,367)	(668,859)	77,965	—	(4,977,261)
Capital assets depreciated, net	9,939,821	(656,568)	(62,301)	3,203,043	12,423,995
Capital assets - right to use					
Land	45,911	—	—	—	45,911
Buildings	8,688	—	—	—	8,688
Equipment	7,958	16,808	—	—	24,766
Vehicles	15,981	—	—	—	15,981
Subscription assets	18,223	5,120	—	—	23,343
Total amortized assets	96,761	21,928	—	—	118,689
Accumulated amortization					
Land	(5,656)	(2,828)	—	—	(8,484)
Buildings	(2,848)	(1,478)	—	—	(4,326)
Equipment	(3,708)	(2,765)	—	—	(6,473)
Vehicles	(14,017)	(4,604)	—	—	(18,621)
Subscription assets	(7,118)	(9,232)	—	—	(16,350)
Total accumulated amortization	(33,347)	(20,907)	—	—	(54,254)
Assets amortized, net	63,414	1,021	—	—	64,435
Total	$ 14,768,712	$ 1,598,780	$ (68,486)	$ —	$ 16,299,006

LAX had the following activities in capital assets during fiscal year 2022 (amounts in thousands):

	As Restated* Balance at July 1, 2021	Additions	Retirements & disposals	Transfers	As Restated* Balance at June 30, 2022
Capital assets not depreciated					
Land and land clearance	$ 1,168,314	$ —	$ —	$ —	$ 1,168,314
Air easements	44,346	—	—	—	44,346
Emission reduction credits	2,772	—	—	—	2,772
Construction work in progress	4,592,841	1,058,035		(2,100,831)	3,550,045
Total capital assets not depreciated	5,808,273	1,058,035	—	(2,100,831)	4,765,477
Capital assets depreciated					
Buildings	5,269,176	(4,052)	—	1,027,846	6,292,970
Improvements	6,546,368	(7)	—	1,040,110	7,586,471
Equipment and vehicles	346,183	3,927	(300)	32,875	382,685
Intangible assets	64,062	—	—	—	64,062
Total capital assets depreciated	12,225,789	(132)	(300)	2,100,831	14,326,188
Accumulated depreciation					
Buildings	(1,058,499)	(196,336)	—	—	(1,254,835)
Improvements	(2,481,125)	(383,970)	—	—	(2,865,095)
Equipment and vehicles	(191,085)	(22,330)	265	—	(213,150)
Intangible assets	(47,707)	(5,580)	—	—	(53,287)
Total accumulated depreciation	(3,778,416)	(608,216)	265	—	(4,386,367)
Capital assets depreciated, net	8,447,373	(608,348)	(35)	2,100,831	9,939,821
Capital assets - right to use					
Land	45,911	—	—	—	45,911
Buildings	8,688	—	—	—	8,688
Equipment	6,689	1,269	—	—	7,958
Vehicles	15,981	—	—	—	15,981
Subscription assets	18,223	—	—	—	18,223
Total amortized assets	95,492	1,269	—	—	96,761
Accumulated amortization					
Land	(2,828)	(2,828)	—	—	(5,656)
Buildings	(1,370)	(1,478)	—	—	(2,848)
Equipment	(1,286)	(2,422)	—	—	(3,708)
Vehicles	(7,057)	(6,960)	—	—	(14,017)
Subscription assets	—	(7,118)	—	—	(7,118)
Total accumulated amortization	(12,541)	(20,806)	—	—	(33,347)
Assets amortized, net	82,951	(19,537)	—	—	63,414
Total	$ 14,338,597	$ 430,150	$ (35)	$ —	$ 14,768,712

**The fiscal year 2022 financial statements have been restated for the adoption of GASB 96, SBITA, effective July 1, 2021. The fiscal year 2021 financial statements have been restated for the adoption of GASB 87, Leases, effective July 1, 2020.*

Notes to the Financial Statements
June 30, 2023 and 2022
(continued)

5. Commercial Paper

As of June 30, 2023 and 2022, LAX had outstanding commercial paper (CP) notes of $229.5 million and $153.9 million, respectively. The respective average interest rates in effect as of June 30, 2023 and 2022 were 3.19% and 1.06%. 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.

As of June 30, 2023, LAX had letters of credit (LOC) and reimbursement agreements with the following institutions to provide credit support for the CP program: Barclays Bank PLC (Barclays) for $327.0 million, to expire on August 24, 2026; Bank of America, N.A. (Bank of America) for $109.0 million, to expire on August 24, 2026; and PNC Bank, National Association (PNC) for $109.0 million, to expire on August 24, 2027.

As of June 30, 2022, LAX had LOC and reimbursement agreements with the following institutions to provide credit support for the CP program: Barclays for $109.0 million, expired on September 8, 2023; Sumitomo Mitsui Banking Corporation (Sumitomo), acting through its New York Branch (Sumitomo) for $109.0 million, expired on September 9, 2022; and Bank of America for $327.0 million, to expire on September 6, 2024.

As of June 30, 2023, LAX had undrawn LOC balances of $239.3 million from Barclays, $8.3 million from PNC, and $66.1 million from Bank of America. As of June 30, 2022, LAX had undrawn LOC balances of $228.9 million from Barclays, and $176.4 million from Sumitomo.

In fiscal year 2023, LAX paid the LOC banks an annual commitment fee ranging from 0.29% and 0.32% on the stated amount of the LOC. In fiscal year 2022, LAX paid the LOC banks an annual commitment fee ranging from 0.39% and 0.85% on the stated amount of the LOC. LOC fees of $1.6 million and $4.3 million were paid for fiscal years 2023 and 2022, respectively.

LAX had the following CP activity during fiscal year 2023 (amounts in thousands):

	Balance at July 1, 2022	Additions	Reductions	Balance at June 30, 2023
Series A	$ 79,876	$ 51,544	$ (54,512)	$ 76,908
Series B	50,927	237,122	(135,927)	152,122
Series C	23,113	1,100	(23,702)	511
Total	$ 153,916	$ 289,766	$ (214,141)	$ 229,541

LAX had the following CP activity during fiscal year 2022 (amounts in thousands):

	Balance at July 1, 2021	Additions	Reductions	Balance at June 30, 2022
Series A	$ 52,175	$ 44,337	$ (16,636)	$ 79,876
Series B	18,125	34,714	(1,912)	50,927
Series C	28,041	200,416	(205,344)	23,113
Total	$ 98,341	$ 279,467	$ (223,892)	$ 153,916

Notes to the Financial Statements
June 30, 2023 and 2022
(continued)

6. Bonded Debt

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

a. Outstanding Debt

Outstanding revenue and revenue refunding bonds are due serially in varying annual amounts. Bonds outstanding as of June 30, 2023 and 2022 are as follows (amounts in thousands):

Bond issues	Issue date	Interest rate	FY of last scheduled maturity	Original principal	Outstanding principal 2023	Outstanding principal 2022
Issue of 2009, Series C	12/3/09	5.175% - 6.582%	2039	$ 307,350	$ 232,035	$ 242,720
Issue of 2010, Series C	11/4/10	7.053%	2040	59,360	59,360	59,360
Issue of 2013, Series A	11/19/13	5.000%	2043	170,685	—	170,685
Issue of 2013, Series B	11/19/13	4.625% - 5.000%	2038	71,175	—	57,180
Issue of 2015, Series A	2/24/15	2.000% - 5.000%	2045	267,525	231,950	237,705
Issue of 2015, Series B	2/24/15	3.000% - 5.000%	2045	47,925	41,325	42,375
Issue of 2015, Series C	2/24/15	2.000% - 5.000%	2038	181,805	149,470	156,070
Issue of 2015, Series D	11/24/15	5.000%	2041	296,475	250,160	257,785
Issue of 2015, Series E	11/24/15	2.000% - 5.000%	2041	27,850	21,285	22,325
Issue of 2016, Series A	6/1/16	3.000% - 5.000%	2042	289,210	23,595	34,885
Issue of 2016, Series B	1/19/17	4.000% - 5.000%	2046	451,170	418,300	426,570
Issue of 2016, Series C	12/6/16	1.425% - 3.887%	2038	226,410	148,005	167,455
Issue of 2017, Series A	7/26/17	5.000%	2047	260,610	246,070	250,040
Issue of 2017, Series B	7/26/17	5.000%	2042	88,730	77,705	80,130
Issue of 2018, Series A	3/15/18	4.000% - 5.250%	2048	426,475	410,900	415,545
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	388,125	398,965
Issue of 2018, Series D	11/14/18	5.000%	2048	418,390	370,300	383,500
Issue of 2018, Series E	11/14/18	5.000%	2048	159,980	159,980	159,980
Issue of 2019, Series A	3/12/19	4.000% - 5.000%	2049	199,830	185,315	189,750
Issue of 2019, Series B	3/12/19	4.000% - 5.000%	2049	49,410	46,455	47,515
Issue of 2019, Series C	3/12/19	5.000%	2039	189,095	77,325	156,000
Issue of 2019, Series D	6/27/19	4.000% - 5.000%	2049	167,955	164,780	167,955
Issue of 2019, Series E	6/27/19	4.000% - 5.000%	2049	265,190	262,560	264,875
Issue of 2019, Series F	12/17/19	2.250% - 5.000%	2049	411,575	398,245	405,820
Issue of 2020, Series A	3/11/20	5.000%	2040	738,575	714,950	721,410
Issue of 2020, Series B	8/27/20	4.000% - 5.000%	2040	558,500	558,500	558,500
Issue of 2020, Series C	8/27/20	5.000%	2050	380,000	380,000	380,000
Issue of 2020, Series D	8/27/20	4.000% - 5.000%	2048	120,000	120,000	120,000
Issue of 2021, Series A	2/17/21	5.000%	2051	405,405	405,405	405,405
Issue of 2021, Series B	2/17/21	5.000%	2048	395,005	395,005	395,005
Issue of 2021, Series C	2/17/21	0.698% - 2.213%	2036	92,945	92,945	92,945
Issue of 2021, Series D	10/6/21	3.000% - 5.000%	2051	753,195	735,015	753,195

Bond issues	Issue date	Interest rate	FY of last scheduled maturity	Original principal	Outstanding principal 2023	Outstanding principal 2022
Issue of 2021, Series E	10/6/21	0.264% - 2.626%	2051	125,815	117,945	125,815
Issue of 2022, Series A	1/20/22	4.000% - 5.000%	2049	347,415	347,415	347,415
Issue of 2022, Series B	1/20/22	4.000% - 5.000%	2048	157,625	157,625	157,625
Issue of 2022, Series C	2/15/22	3.250% - 5.000%	2049	307,070	307,070	307,070
Issue of 2022, Series D	2/15/22	4.000% - 5.000%	2036	101,545	100,575	101,545
Issue of 2022, Series E	2/15/22	2.750% - 5.000%	2039	20,225	20,225	20,225
Issue of 2022, Series F	2/15/22	2.040% - 3.450%	2042	40,985	40,985	40,985
Issue of 2022 CFC, Series A	3/16/22	3.158% - 4.242%	2048	546,015	546,015	546,015
Issue of 2022, Series G	8/24/22	4.000% - 5.500%	2052	602,820	602,820	—
Issue of 2022, Series H	8/24/22	4.000% - 5.500%	2052	373,735	373,735	—
Issue of 2022, Series I	8/24/22	4.000% - 5.000%	2048	206,825	206,825	—
Issue of 2023, Series A	4/11/23	4.1250% - 5.250%	2048	248,010	248,010	—
Issue of 2023, Series B	4/11/23	5.000%	2038	46,875	46,875	—
Total principal				$ 12,254,265	11,107,685	10,094,845
Unamortized premium					1,623,736	1,594,512
Net revenue bonds					12,731,421	11,689,357
Current portion of debt					(203,250)	(143,365)
Net noncurrent debt					$ 12,528,171	$ 11,545,992

b. Pledged Revenue

The bonds are subject to optional and mandatory sinking fund redemption prior to maturity. LAX has agreed to certain covenants with respect to bonded indebtedness. 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.

LAX 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 Automated People Mover (APM) System, Tom Bradley International Terminal (TBIT) Renovations, Bradley West projects and Terminal 6 improvements. Board of Airport Commissioners authorized amounts of $129.9 million and $97.5 million were used for debt service in fiscal years 2023 and 2022, respectively. The Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), which became law on December 27, 2020, provided additional direct aid to LAWA. LAWA was allocated approximately $72.3 million in Airport Coronavirus Response Grant Program funds pursuant to CRRSAA. LAWA used approximately $54.7 million and $8.4 million of CRRSAA grants for payment of LAX maintenance and operation expenses in fiscal year 2023 and 2022, respectively. The American Rescue Plan Act (ARPA) became law on March 11, 2021. LAWA was awarded $303.8 million in American Rescue Grants pursuant to ARPA. LAWA received a total of $267.0 million in grant reimbursement in fiscal year 2023 for the eligible operation and maintenance and debt service expenses incurred since March 2021, including $3.5 million and $12.9 million for expenses incurred in fiscal years 2021 and 2022, respectively.

The total principal and interest remaining to be paid on the bonds is $18.6 billion as of June 30, 2023. Principal and interest paid during fiscal year 2023 and the net pledged revenues on US GAAP basis (as defined in the master senior and subordinate indentures, after application of the $129.9 million PFCs funds, and the CRRSAA and ARPA funds discussed in the preceding paragraph) were $657.0 million and $1.2 billion, respectively. Principal and interest paid during fiscal year 2022 and the net pledged revenues on US GAAP basis (as defined in the master senior and subordinate indentures, after application of the $97.5 million PFCs funds and CRRSAA and ARPA grants discussed in the preceding paragraph), were $567.3 million and $664.7 million, respectively.

c. Bond Issuances

Fiscal Year 2023

On August 24, 2022, LAX issued $602.8 million of LAX senior revenue bonds Series 2022G with a premium of $59.9 million; $373.7 million of LAX senior revenue bonds Series 2022H with a premium of $37.8 million and $206.8 million of LAX senior refunding and revenue bonds Series 2022I with a premium of $29.5 million. The Series 2022GHI bonds were issued to fund certain capital projects at LAX and refund a portion of the outstanding commercial paper notes.

On April 11, 2023, LAX issued $248.0 million of LAX subordinate refunding revenue bonds Series 2023A with a premium of $23.3 million and $46.9 million of LAX subordinate refunding revenue bonds Series 2023B with a premium of $7.9 million. The Series 2023AB bonds were issued to refund senior revenue bonds Series 2013A, subordinate revenue bonds Series B and refund a portion of the outstanding commercial paper notes. These transactions resulted in cash flow savings of $25.1 million, an economic gain of $5.9 million; and a net loss for accounting purposes of $6.2 million, which is included in deferred outflows of resources and is being amortized over the life of the bonds.

Fiscal Year 2022

On October 6, 2021, LAX issued $753.2 million of subordinate revenue bonds Series 2021D with a premium of $178.4 million and $125.8 million of subordinate refunding revenue bonds Series 2021E. The Series 2021D bonds were issued to fund certain capital projects at LAX, refund a portion of the outstanding Commercial Paper Notes and refund and defease a portion of the subordinate revenue bonds Series 2016A and a portion of the senior refunding revenue bonds Series 2016C in the amount of $217.7 million and $13.4 million respectively. The Series 2021E bonds were issued to pay a portion of the interest due on November 15, 2021 of certain existing bonds and refund and defease a portion of the refunded Series 2016A and 2016C. These transactions resulted in cash flow savings of $18.9 million, an economic gain of $18.8 million; and a net loss for accounting purposes of $13.2 million, which is included in deferred outflows of resources and is being amortized over the life of the bonds.

On January 20, 2022, LAX issued $347.4 million of subordinate revenue bonds Series 2022A with a premium of $77.4 million and $157.6 million of subordinate revenue bonds Series 2022B with a premium of $39.4 million. The bonds were issued to fund certain capital projects at LAX and refund a portion of the outstanding commercial paper notes.

On February 15, 2022, LAX issued $307.1 million of subordinate revenue and refunding revenue bonds Series 2022C with a premium of $42.2 million, $101.5 million subordinate refunding bonds Series 2022D with a premium of $23.2 million, $20.2 million subordinate refunding revenue bonds Series 2022E with a premium of $4.1 million and $41.0 million of subordinate revenue bonds Series 2022F. The bonds were issued to fund certain capital projects at LAX, refund a portion of the senior revenue bonds Series 2012A and Series 2012B in the amount of $50.7 million and $116.9 million respectively. This transaction resulted in cash flow savings of $40.9 million, an economic gain of $30.0 million; and a net gain for accounting purposes of $15.5 million, which is included in deferred inflows of resources and is being amortized over the life of the bonds.

On March 16, 2022, LAX issued $546.0 million of LAX CFC revenue bonds Series 2022A. The bonds were issued to pay and reimburse a portion of the Consolidated Rental Car Facility (ConRAC) project, fund the bond interest expense through June 30, 2023, fund deposits to the Senior Reserve Fund, the Rolling Coverage Fund and the Common Transportation System (CTS) Payment Account, and refund a portion of commercial paper notes which were previously used to finance a portion of ConRAC project.

d. Defeasance of Debt

On November 28, 2022, LAX defeased a portion of the debt service on the LAWA subordinate revenue/ refunding revenue bonds 2016 Series A, 2019 Series C, 2021 Series D, and 2021 Series E, with par amounts of $4.1 million, $71.7 million, $18.2 million, and $6.6 million, respectively. These transactions resulted in a reduction of total net debt service by approximately $147.2 million through fiscal year 2042. The total debt service defeased was $118.9 million and the defeasance cost paid by cash was $112.2 million, resulting in a present value savings of $6.8 million. LAX’s average annual debt service payments were reduced by approximately $7.4 million between fiscal year 2024 through 2042. These transactions resulted in a net gain for accounting purposes of $5.1 million, which was recognized as an inflows of resources in fiscal year 2023.

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e. Principal Maturities and Interest

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

Fiscal year(s) ending	Principal	Interest	Total
2024	$ 203,250	$ 530,618	$ 733,868
2025	259,970	520,422	780,392
2026	312,985	507,710	820,695
2027	328,265	492,516	820,781
2028	343,930	476,827	820,757
2029 - 2033	2,095,030	2,109,976	4,205,006
2034 - 2038	2,549,660	1,555,396	4,105,056
2039 - 2043	2,519,585	919,149	3,438,734
2044 - 2048	2,181,170	355,281	2,536,451
2049 - 2052	313,840	22,253	336,093
Total	$ 11,107,685	$ 7,490,148	$ 18,597,833

f. 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. LAX receives a direct federal subsidy payment in the amount equal to 35% of the interest expense on the BABs. The automatic cuts in spending (referred to as “sequestration”) for the federal fiscal years ending September 30, 2023 and September 30, 2022 reduced the subsidy. The interest subsidy on the BABs were $6.5 million and $7.1 million for fiscal years 2023 and 2022, respectively. The BABs sequestration rate was 5.7% for both fiscal years 2023 and 2022. The subsidy is recorded as a non-capital grant, a component of other nonoperating revenue.

g. Other Significant Obligations

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

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.

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(continued)

7. Changes in Long-Term Liabilities

LAX had the following long-term liabilities activities for fiscal year ended June 30, 2023 (amounts in thousands):

	*As restated Balance at June 30, 2022	Additions	Reductions	Balance at June 30, 2023	Current Portion
Revenue bonds	$ 10,094,845	$ 1,478,265	$ (465,425)	$ 11,107,685	$ 203,250
Unamortized premium	1,594,512	158,383	(129,159)	1,623,736	—
Net revenue bonds	11,689,357	1,636,648	(594,584)	12,731,421	203,250
Accrued employee benefits	57,332	8,652	(6,421)	59,563	7,565
Estimated claims payable	98,054	9,789	(9,850)	97,993	11,161
Lease liabilities	54,252	14,645	(7,568)	61,329	8,387
Subscription liabilities	10,913	748	(7,149)	4,512	2,294
PPP availability arrangement liabilities	—	593,905	—	593,905	9,774
Net pension liability	536,500	332,426	—	868,926	—
Net OPEB liability	—	26,907	—	26,907	—
Other long-term liabilities	885	—	—	885	—
Total	$ 12,447,293	$ 2,623,720	$ (625,572)	$ 14,445,441	$ 242,431

LAX had the following long-term liabilities activities for fiscal year ended June 30, 2022 (amounts in thousands):

	*As restated Balance at July 1, 2021	Additions	Reduction	*As restated Balance at June 30, 2022	Current Portion
Revenue bonds	$ 8,224,485	$ 2,399,890	$ (529,530)	$ 10,094,845	$ 143,365
Add unamortized premium	1,374,467	364,750	(144,705)	1,594,512	—
Net revenue bonds	9,598,952	2,764,640	(674,235)	11,689,357	143,365
Accrued employee benefits	58,270	5,297	(6,235)	57,332	6,421
Estimated claims payable	100,227	7,470	(9,643)	98,054	9,850
Lease liabilities	66,079	709	(12,536)	54,252	7,568
Subscription liabilities	18,223	—	(7,310)	10,913	7,149
Net pension liability	1,006,766	—	(470,266)	536,500	—
Net OPEB liability	80,411	—	(80,411)	—	—
Other long-term liabilities	885	—	—	885	—
Total	$ 10,929,813	$ 2,778,116	$ (1,260,636)	$ 12,447,293	$ 174,353

**The fiscal year 2022 financial statements have been restated for the adoption of GASB 96, SBITA, effective July 1, 2021. The fiscal year 2021 financial statements have been restated for the adoption of GASB 87, Leases, effective July 1, 2020.*

8. Leases

LAX has adopted the following policies to account for agreements in accordance with the requirements of GASB 87 (unless otherwise specified, the following policies pertain to agreements in which LAX is lessee, and agreements in which LAX is lessor):

Basis of lease classification

In accordance with GASB No. 87, LAX does not recognize a lease receivable and a deferred inflow of resources for short-term leases. Short-term leases are certain leases that, at the commencement of the lease term, has a maximum possible term under the lease contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. LAX, being a lessee and lessor, recognizes short-term lease payments as outflows of resources or inflows of resources, respectively, based on the payment provisions of the lease contract.

Term

At the time of lease commencement or conversion, the term of the lease will include possible extension periods that are deemed to be reasonably certain given all available information, regarding the likelihood of renewal. For extension periods without explicit rent payment amounts in the lease agreement, LAX assumed a CPI increase of 8.5% and 2.19% for fiscal years 2023 and 2022, respectively, to prior rent payment amounts on an annual basis.

Discount rate

Unless explicitly stated in the lease agreement, known by LAX, or LAX is able to determine the rate implicit within the lease, the discount rate used to calculate lease right-of-use assets and liabilities and related lease receivable is LAWA's incremental borrowing rate at the end of each fiscal year. The incremental borrowing rate was 3.33% as of June 30, 2023, and was the discount rate utilized for applicable leases beginning in fiscal year 2023. The incremental borrowing rate was 3.22% as of June 30, 2022, and was the discount rate utilized for applicable leases beginning in fiscal year 2022.

Variable payments

Variable payments based on the future performance of the lessee or lessor or usage of the underlying asset are not included in the measurement of lease assets or liabilities. For the fiscal years ended June 30, 2023 and 2022, all leases are based on fixed payments and do not have variable payment components.

Remeasurement

For the fiscal years ended June 30, 2023 and 2022, LAX did not have to remeasure any lease liabilities due to (1) early termination of leases, (2) reduction in monthly lease payment, and (3) change in borrowing rate.

LAX as Lessee

LAX, as lessee, has entered into various agreements for land, buildings, equipment, and vehicles with lease terms expiring between 2022 and 2042, with some leases containing options to renew. The terms and conditions for these leases vary by the type of underlying asset. All these agreements have fixed, periodic payments over the lease term, and do not contain variable payments or guaranteed residual values in the lease agreements. For those agreements that are cancellable by the lessors or LAX with an advance notice, they are considered as non-cancellable in accordance with GASB Statement No. 87.

Lease related right-of-use assets by major class of underlying assets consist of the following (amounts in thousands):

	FY 2023	As Restated* FY 2022
Right to use assets	$ 95,346	$ 78,538
Accumulated amortization	(37,904)	(26,229)
Total lease related assets	$ 57,442	$ 52,309

Total lease related assets consist of the following (amounts in thousands):

	FY 2023	As Restated* FY 2022
Land	$ 45,911	$ 45,911
Buildings	8,688	8,688
Equipment	24,766	7,958
Vehicles	15,981	15,981
Total right to use assets	$ 95,346	$ 78,538

In accordance with GASB No. 87, as lessee, LAX recognized $11.7 million and $13.7 million of amortization expense in the years ended June 30, 2023 and 2022, respectively. LAX also recognized $2.0 million of interest expense for each of the fiscal year 2023 and 2022.

Notes to the Financial Statements
June 30, 2023 and 2022
(continued)

Principal and interest payments to be made, under these leases for each of the next five years and in five-year increments thereafter are as follows (amounts in thousands):

Fiscal year(s) ending	Principal	Interest	Total
2024	$ 8,387	$ 1,918	$ 10,305
2025	6,824	1,669	8,493
2026	6,470	1,440	7,910
2027	6,058	1,236	7,294
2028	4,241	1,046	5,287
2029 - 2033	12,893	3,743	16,636
2034 - 2038	7,417	2,183	9,600
2039 - 2043	9,039	713	9,752
Total	$ 61,329	$ 13,948	$ 75,277

LAX as Lessor

LAX leases terminal space (except for regulated leases as described below), aircraft maintenance and overhaul facilities, cargo facilities, hangars, and other building facilities and ancillary land facilities at LAX to air carriers and other tenants under various agreements, majority of which is non-cancellable and terminate no later than fiscal year 2040. Certain provisions of the leases provide for fixed and variable rental payments, and all are generally designed to allow LAWA to meet its debt service requirements and recover certain operating and maintenance costs.

LAX, as a lessor, recognizes a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions for regulated leases and short-term leases. As lessor, the asset underlying the lease is not derecognized. The lease receivable is measured at the present value of the lease payments expected to be received during the lease term. The leases typically include provisions for rent changes based on the consumer price index or other market indexes, resulting in additional variable lease revenues that are not included in the measurement of the lease receivables. These variable payments based on index are considered to be 'fixed in substance' and are included in the calculation of the lease receivable. The deferred inflow of resources is measured at the value of the lease receivable in addition to any payments received at or before the commencement of the lease term that relate to future periods.

Building and Land Leases

LAX leases terminal space, aircraft maintenance and overhaul facilities, cargo facilities, hangars, and other building facilities and ancillary land facilities at LAX to air carriers and other tenants under various agreements. The terms of these long-term leases range from more than one to forty years and generally expire between fiscal years 2024 and 2040. The building and lease agreements (except for regulated leases as described below) are accounted for as agreements under GASB Statement No. 87.

LAX also leases office spaces in Skyview Center to air carriers and other tenants under various agreements. The terms of these long-term leases range from two to ten years and generally expire between fiscal years 2024 and 2030. The building and lease agreements (except for regulated leases as described below) are accounted for as agreements under GASB Statement No. 87.

Concessions Leases

LAX operates a comprehensive concessions program at LAX that includes advertising and sponsorship, duty free merchandise, food and beverage, retail, and services operators in the terminal facilities. Contractually, concessionaires pay rent to LAX in an amount equal to the greater of a percentage of gross sales or a Minimum Annual Guarantee (MAG). The decline in passenger traffic due to COVID-19 significantly reduced concession sales and prompted the Board of Airport Commissioners (Board) to temporarily authorize revised payment terms to suspend MAGs through June 30, 2021, and require concessionaires to pay rent only in the amount of the percentage of gross sales defined in each agreement. The ongoing impacts of COVID-19 on travel have slowed the recovery of concession sales. The Board approved to extend the temporary suspension of MAG rent from July 1, 2021 through June 30, 2022, and required payment of rent based on percentage of gross sales if the concession units are open and operational. Due to the variable nature of the above revenues from year-to-year, expected future minimum payments are indeterminable. Accordingly, these concession agreements with MAG waiver are not recognized as agreements under GASB Statement No. 87 in fiscal years 2021 and 2022. These leases will be recognized as agreements under GASB Statement No. 87 when the MAG is reinstated.

Notes to the Financial Statements
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(continued)

Expected future payments, which are included in the measurement of the lease receivable, at June 30, 2023, are as follows (in thousands):

Building Rentals

Fiscal year(s) ending	Principal	Interest	Total
2024	$ 12,997	$ 2,357	$ 15,354
2025	8,160	2,022	10,182
2026	7,157	1,767	8,924
2027	6,744	1,533	8,277
2028	7,079	1,304	8,383
2029 - 2033	29,124	3,292	32,416
2034 - 2035	6,031	115	6,146
Total	$ 77,292	$ 12,390	$ 89,682

Skyview - Building Rentals

Fiscal year(s) ending	Principal	Interest	Total
2024	$ 2,345	$ 351	$ 2,696
2025	1,579	274	1,853
2026	1,620	247	1,867
2027	1,648	181	1,829
2028	1,757	125	1,882
2029 - 2030	2,750	83	2,833
Total	$ 11,699	$ 1,261	$ 12,960

Land Rentals

Fiscal year(s) ending	Principal	Interest	Total
2024	$ 15,923	$ 1,981	$ 17,904
2025	5,278	1,613	6,891
2026	5,588	1,432	7,020
2027	5,348	1,248	6,596
2028	5,586	1,066	6,652
2029 - 2033	24,019	2,441	26,460
2034 - 2038	3,753	495	4,248
2039 - 2040	1,001	21	1,022
Total	$ 66,496	$ 10,297	$ 76,793

Concessions

Fiscal year(s) ending	Principal	Interest	Total
2024	$ 913	$ 89	$ 1,002
2025	944	58	1,002
2026	976	26	1,002
2027	249	1	250
Total	$ 3,082	$ 174	$ 3,256

Total

Fiscal year(s) ending	Principal	Interest	Total
2024	$ 32,178	$ 4,778	$ 36,956
2025	15,961	3,967	19,928
2026	15,341	3,472	18,813
2027	13,989	2,963	16,952
2028	14,422	2,495	16,917
2029 - 2033	55,893	5,816	61,709
2034 - 2038	9,784	610	10,394
2039 - 2040	1,001	21	1,022
Total	$ 158,569	$ 24,122	$ 182,691

For fiscal year ended June 30, 2023, LAX recognized the following balances related to the leases as lessor (amounts in thousands):

	Fixed Payments	Interest Income	Variable Payments
Building Rentals	$ 23,870	$ 3,182	$ —
Land Rentals	20,108	2,507	—
Concession Revenue	2,909	134	538

Notes to the Financial Statements
June 30, 2023 and 2022
(continued)

For fiscal year ended June 30, 2022, LAX recognized the following balances related to the leases as lessor (amounts in thousands):

	Fixed Payments	Interest Income	Variable Payments
Building Rentals	$ 21,267	$ 3,771	$ —
Land Rentals	16,398	2,677	—
Concession Revenue	4,304	267	634

<u>Airport Facilities Use Leases</u>

LAWA has issued Airport Facilities Use Terms and Conditions (UTC) permits for various facility users using non-terminal airport facility space at LAX. These UTCs are not subject to a lease or the Airport Terminal Tariff, and have no term or expiration date and can be cancelled by either party at any time. The use of the facility does not create a property right, and they are being charged based on a square footage rental rate charge subject to annual and 5-year periodic market rent adjustments as approved by the Board. As there is no term or expiration date, expected future minimum payments are indeterminable. Accordingly, these agreements are not recognized under GASB Statement No. 87.

Regulated Leases

LAX entered into various Rate Agreements with airlines as described in Note 1j for usage of LAX facilities for the purpose of conducting business as air transportation businesses. The 2021 Rate Agreement Amendment was executed with a term that extends through December 2032. The 2023 Amended and Restated Rate Agreement extends the term through June 2035. Under the terms of these agreements, airlines pay LAX monthly fees based on an approved methodology of calculating rates and charges for airlines and airline consortia.

In accordance with GASB Statement No. 87, LAX does not recognize a lease receivable and a deferred inflow of resources for regulated leases. Regulated leases are certain leases that are subject to external laws, regulations, or legal rulings, e.g. the U.S. Department of Transportation and the Federal Aviation Administration, regulated aviation leases between airports and air carriers and other aeronautical users.

For the fiscal year ended June 30, 2023, LAX recognized the following balances related to regulated leases (in thousands):

	Fixed Payments	Variable Payments
Building Rentals	$ 396,470	$ —
Land Rentals	33,141	—

For the fiscal year ended June 30, 2022, LAX recognized the following balances related to regulated leases (in thousands):

	Fixed Payments	Variable Payments
Building Rentals	$ 375,179	$ —
Land Rentals	29,628	—

Expected future minimum lease payments from regulated leases at June 30, 2023 based on the assumption that current agreements are carried to contractual termination, without considering the potential effect of the ongoing COVID-19 pandemic, and without considering future expansion and changes in operations by LAWA or the signatory airlines, are as follows (amounts in thousands):

Fiscal year(s) ending	Total
2024	$ 452,950
2025	430,410
2026	386,168
2027	355,666
2028	375,656
2029-2033	2,020,367
2034-2038	185,234
2039-2043	144,295
2044-2048	216,971
2049	50,471
Total	$ 4,618,188

LAX's outstanding revenue and revenue refunding bonds are secured by net revenues earned from the airlines. Additional information can be found in Note 6b of the notes to the financial statements.

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Under the agreements with the airlines, they may have preferential and exclusive use of certain space and facilities of the terminals and gates in LAX as summarized below:

Terminal	Total Terminal Area (SQFT)	Non-exclusively Used Terminal Area (SQFT)	Exclusively Used Terminal Area (SQFT)	Airlines using the Terminal Area Exclusively
T1 & T1.5	197,827	28,516	169,311	Southwest Airlines
T2	152,045	2,246	149,799	Delta Air Lines
T3	329,505	2,245	327,260	Delta Air Lines
T4	309,306	1,490	307,816	American Airlines
T5	470,211	33,753	436,458	American Airlines
T6	133,970	30,632	103,338	Alaska Airlines
T7	335,087	4,081	331,006	United Airlines
T8	17,278	583	16,695	United Airlines
TBIT/MSC	210,709	210,709	—	
Total	2,155,938	314,255	1,841,683	

Note: The information above is based on June 2023 billing.

	Total no. of Gates	Common Use Gates	Preferential Use Gates	Airlines using the Gates Preferentially
T1 & T1.5	13	0	13	Southwest Airlines
T2	12	0	12	Delta Air Lines
T3	19	0	19	Delta Air Lines
T4	16	0	16	American Airlines
T5	15	0	5	American Airlines
T5	0	0	4	Jetblue Airlines
T5	0	0	4	Spirit Airlines
T5	0	2	0	Various airlines
T6	14	2	10	Alaska Airlines
T6	0	0	2	Air Canada
T7	15	0	15	United Airlines
T8	8	0	8	United Airlines
TBIT & MSC	36	0	1	Delta Air Lines
TBIT & MSC	0	35	0	Various airlines
Remote	9	0	9	Various airlines
Commuter	9	9	0	Various airlines
Total	166	48	118	

Note: According to the lease agreements, the above airlines are entitled to use the gates on a preferential basis in accordance with the scheduling protocols. LAWA has the rights to schedule aircraft operations of other airlines on the preferential-use gates if such scheduling will not interfere with the above airlines' operation.

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 LAX. PFCs are recorded as nonoperating revenue and presented as restricted assets in the financial statements. The current PFCs are $4.50 per enplaned passenger. PFCs collection authorities approved by FAA were $9.5 billion and $6.0 billion at LAX as of June 30, 2023 and 2022, respectively. LAX has received approval from the FAA to collect and use PFCs to pay for debt service on bonds issued to finance the the Automated People Mover (APM) System, TBIT Renovations, Bradley West projects and Terminal 6 improvements. Board authorized amounts of $129.9 million and $97.5 million were used for debt service in fiscal years 2023 and 2022, respectively.

The following is a summary of projects approved by FAA as of June 30, 2023 and 2022 (amounts in thousands):

	2023	2022
Terminal development	$ 4,891,679	$ 4,891,679
Automated People Mover System	3,475,250	—
Noise mitigation	1,064,015	1,064,015
Airfield development and equipment	83,620	83,620
Total	$ 9,514,564	$ 6,039,314

PFCs collected and the related interest earnings through June 30, 2023 and 2022 were as follows (amounts in thousands):

	2023	2022
Amount collected	$ 3,082,854	2,938,532
Interest earnings	240,567	235,382
Total	$ 3,323,421	$ 3,173,914

Cumulative expenditures on approved PFCs projects totaled $3.0 billion and $2.9 billion for fiscal years 2023 and 2022, respectively.

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June 30, 2023 and 2022
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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, related interest earnings, and cumulative expenditures to date are summarized as follows (amounts in thousands):

	2023	2022
Amount collected	$ 628,412	$ 561,894
Interest earnings	51,128	41,010
Subtotal	679,540	602,904
Expenditures		
ConRAC planning, design and construction	659,630	593,677
Unexpended CFCs revenue and interest earnings	$ 19,910	$ 9,227

LAX is in the stages of delivering LAMP to modernize and improve landside access at LAX with the ConRAC as a critical component. Pursuant to Board Resolution No. 26684 that was adopted on January 17, 2019, LAWA has authority to use up to $2.1 billion for the payment/reimbursement of Design-Build-Finance- Operate-Maintain (DBFOM) Agreement with LA Gateway Partners for the ConRAC from sources of revenue including but not limited to CFCs, LAX non-aeronautical revenues, special facility bond proceeds, and revenues derived from concession and lease agreements between LAWA and rental car companies using the ConRAC. In this regard, the amount of CFC funds that was used for ConRAC Design and Construction (D&C) payments was $66.0 million and $145.5 million in fiscal years 2023 and 2022, respectively. LAX's cumulative expenditures on approved CFCs projects totaled $659.6 million and $593.7 million for fiscal years 2023 and 2022, respectively.

11. Capital Grant Contributions

Contributed capital related to government grants and other aid totaled $387.5 million and $31.9 million in fiscal years 2023 and 2022, respectively. Capital grant funds are primarily provided by the FAA Airport Improvement Program and Transportation Security Administration.

The Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), which became law on December 27, 2020, provided additional direct aid to LAWA. LAWA was allocated approximately $72.3 million in Airport Coronavirus Response Grant Program funds pursuant to CRRSAA. LAWA used approximately $54.7 million and $8.4 million of CRRSAA grants for payment of LAX maintenance and operation expenses in fiscal year 2023 and 2022, respectively.

The American Rescue Plan Act (ARPA) became law on March 11, 2021. LAWA was awarded $303.8 million in American Rescue Grants pursuant to ARPA. LAWA received a total of $267.0 million in grant reimbursement in fiscal year 2023 for the eligible operation and maintenance and debt service expenses incurred since March 2021, including $3.5 million and $12.9 million for expenses incurred in fiscal years 2021 and 2022, respectively.

The federal Infrastructure Investment and Jobs Act of 2021 (referred to as the “Bipartisan Infrastructure Law” or “BIL”) was approved by the United States Congress and signed by the President on November 15, 2021. LAWA was awarded approximately $79.2 million of Infrastructure Grants for LAX, and $763.0 thousand for VNY, in the 2022 federal fiscal year (October 1, 2021 through September 30, 2022). LAWA was awarded approximately $79.1 million of Infrastructure Grants for LAX, and $844.0 thousand for VNY, in the 2023 federal fiscal year (October 1, 2022 through September 30, 2023). In addition to the Infrastructure Grants, BIL provides for approximately $1.0 billion per year of grants to be awarded through the Airport Terminal Program (“ATP”) provisions of BIL, with up to 55% going to large hub airports. LAWA was awarded a $50.0 million ATP grant in federal fiscal year 2023 for terminal roadway improvements at LAX.

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12. Related Party Transactions

The City provides services to LAX such as construction and building inspection, fire and paramedic, police, water and power, and certain administrative services. The costs for these services for fiscal years ended June 30, 2023 and 2022 were $113.3 million and $123.5 million, respectively.

LAX collects parking taxes on behalf of the City's General Fund. The parking taxes collected and remitted during each of fiscal years 2023 and 2022 were $16.1 million and $13.0 million, respectively.

LAX shares certain administrative functions with VNY and PMD including, but not limited to, legal, human services, and financial services. Also, beginning fiscal year 2011, LAX pays VNY annual rent for the use of the land where the Flyaway Terminal resides. The rent is adjusted every July 1 of each year based on the consumer price index. The adjusted rent was $1.3 million for both fiscal years 2023 and 2022. The details are as follows (amounts in thousands):

	2023	2022
Allocated administrative costs		
VNY	$ 2,780	2,656
PMD	400	443
Total	3,180	3,099
Land rental	(1,281)	(1,286)
Net	$ 1,899	$ 1,813

13. Pension Plan

I. *Los Angeles City Employees' Retirement System*

a. General Information

Plan Description

All full-time employees of LAX 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.In 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.

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. LAX 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 LAX's financial statements, LACERS' financial statements and the Pension Plan's actuarial valuation study for fiscal year 2020 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.

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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 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, 2022 and June 30, 2021, respectively, were as follows: (Note: information for fiscal year 2023 is not yet available as of this report issue date.)

		2022	2021
Active			
	Vested	17,312	16,684
	Non-vested	7,605	8,492
		24,917	25,176
Inactive			
	Non-vested	7,790	7,124
	Terminated entitled to benefits, not yet receiving benefits	2,589	2,523
	Retired	22,399	22,012
Total		57,695	56,835

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.

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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 27.96% and 24.63% of compensation as of June 30, 2022 (based on the June 30, 2020 valuation) and June 30, 2021 (based on the June 30, 2019 valuation), respectively. (Note: information for fiscal year 2023 is not yet available as of this report issue date).

The total City contributions to LACERS of $929.4 million and $837.2 million for the years ended June 30, 2023 and June 30, 2022, respectively, consisted of the following (amounts in thousands):

	2023	2022
Required contributions - Retirement Plan	$ 669,391	$ 591,234
Family death benefit Plan	47	71
Total City contributions	669,438	591,305
Member contributions - Retirement Plan	259,977	245,879
Total	$ 929,415	$ 837,184

The required City contribution of $669.4 million was equal to 100% of the actuarially determined employer contribution. Member contributions of $260.0 million were made toward the retirement and voluntary family death benefits for fiscal year 2023.

The required City contribution of $591.2 million was equal to 100% of the actuarially determined employer contribution. Member contributions of $245.9 million were made toward the retirement and voluntary family death benefits for fiscal year 2022.

LAX's Contributions to the Pension Plan

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

	2023	2022
LAX's required contributions to the Pension Plan	$ 77,463	$ 72,808

The LAX contributions made to the Pension Plan under the required contribution category in the amounts of $77.5 million and $72.8 million for fiscal years 2023 and 2022, 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 2023 was measured as of June 30, 2022 and determined based upon the Plan Fiduciary Net Position (FNP) and Total Pension Liability (TPL) from actuarial valuation as of June 30, 2022.

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 dates June 30, 2023 (measurement date of June 30, 2022) and June 30, 2022 (measurement date of June 30, 2021), LAX reported its proportionate shares of TPL, FNP and NPL as follows (amounts in thousands):

	Reporting date 6/30/23 Measurement date 6/30/22	Reporting date 6/30/22 Measurement date 6/30/21
LAX's proportionate share:		
Total Pension Liability	$ 2,959,201	$ 2,862,947
Plan Fiduciary Net Position	(2,090,854)	(2,326,341)
Net Pension Liability	$ 868,347	$ 536,606
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	70.66%	81.26%

Change in LAX's proportionate share of the NPL as of June 30, 2023 (measurement date June 30, 2022) and 2022 (measurement date June 30, 2021) was as follows (amounts in thousands):

	NPL	Proportion
Proportion - Reporting date June 30, 2023 (measurement date June 30, 2022)	$ 868,347	12.29%
Proportion - Reporting date June 30, 2022 (measurement date June 30, 2021)	$ 536,606	12.30%
Change - increase (decrease)	$ 331,741	(0.01)%

Notes to the Financial Statements
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(continued)

For the year ended June 30, 2023, LAX recognized pension expense of $83.6 million. At June 30, 2023, LAX reported deferred outflows of resources and deferred inflows of resources related to pensions from the following resources (amounts in thousands):

	Deferred outflows of resources	Deferred inflows of resources
Pension contributions subsequent to measurement date	$ 77,463	$ —
Differences between expected and actual experience	15,985	21,631
Changes of assumptions	28,717	—
Net difference between projected and actual earnings on pension plan investments	87,983	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	293	40,568
Total	$ 210,441	$ 62,199

$77.5 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, 2024. 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
2024	$ 18,485
2025	10,271
2026	(26,120)
2027	68,143

For the year ended June 30, 2022, LAX recognized pension expense of $32.2 million. At June 30, 2022, LAX reported deferred outflows of resources and deferred inflows of resources related to pensions from the following resources (amounts in thousands):

	Deferred outflows of resources	Deferred inflows of resources
Pension contributions subsequent to measurement date	$ 72,808	$ —
Differences between expected and actual experience	26,935	21,536
Changes of assumptions	54,457	—
Net difference between projected and actual earnings on pension plan investments	—	255,155
Changes in proportion and differences between employer contributions and proportionate share of contributions	643	55,308
Total	$ 154,843	$ 331,999

Actuarial Assumptions

The total pension liability as of June 30, 2023 was determined by actuarial valuation as of June 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement:

Date of Experience Study	June 30, 2019 (July 1, 2016 through June 30, 2019)
Long-Term Expected Rate of Return	7.00%
Inflation	2.75%
Projected Salary Increases	Ranges from 4.25% to 9.95% based on years of service, including inflation
Mortality Table for Healthy Retirees	Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Tables (separate tables for males and females) with rates increased by 10% for males, projected generationally with the two-dimensional mortality improvement scale MP-2019.
Mortality Table for Disabled Retirees	Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Tables with rates increased by 10% for males and decreased by 5% for females, projected generationally with the two-dimensional mortality improvement scale MP-2019.
Mortality Table for Beneficiaries	Pub-2010 Contingent Survivor Amount-Weighted Above Meridian Mortality Tables with rates increased by 10% for males and females, projected generationally with the two- dimensional mortality improvement scale MP-2019.
Percent Married/Domestic Partner	76% of male and 52% 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.

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022 and June 30, 2021. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rates 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 for 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 retirement plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability as of both June 30, 2022 and June 30, 2021.

The long-term expected rate of return on retirement plan investments was determined using a building block method in which expected future real rates of return (expected returns, net of 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 and by 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, are summarized in the following table. These values were used in the derivation of the long-term expected investment rate of return assumption that was used in the actuarial valuation as of June 30, 2022. This information is subject to change every three years based on the actuarial experience study. The last experience study was for July 1, 2016 through June 30, 2019. The next experience study will be conducted in 2023.

Asset Class	Target Allocation	Arithmetic Long-Term Expected Real Rate of Return
U.S. Large Cap Equity	15.01%	5.54%
U.S. Small Cap Equity	3.99	6.25
Developed International Large Cap Equity	17.01	6.61
Developed International Small Cap Equity	2.97	6.90
Emerging International Large Cap Equity	5.67	8.74
Emerging International Small Cap Equity	1.35	10.63
Core Bonds	13.75	1.19
High Yield Bonds	2.00	3.14
Bank Loans	2.00	3.70
Emerging Market Debt (External)	2.25	3.55
Emerging Market Debt (Local)	2.25	4.75
Private Credit/Debt	3.75	6.00
Core Real Estate	4.20	4.60
Real Estate Investment Trust	1.00	5.98
Treasury Inflation Protected Securities	4.00	0.86
Commodities	1.00	3.33
Non-Core Real Assets	2.80	5.76
Private Equity	14.00	8.97
Cash	1.00	0.03
Total	100.00%	

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

The following presents LAX's proportionate share of the NPL as of June 30, 2023, calculated using the discount rate of 7.00%, as well as what LAX's proportionate share of NPL would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate (amounts in thousands):

	June 30, 2023
1% decrease	6.00%
Net Pension Liability	$1,258,795
Current discount rate	7.00%
Net Pension Liability	$868,347
1% increase	8.00%
Net Pension Liability	$545,210

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.

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, 701 East 3rd Street, Suite 200, Los Angeles, CA 90013, (213) 279-3000 or LAFPP's website https://www.lafpp.com/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. For fiscal years 2022 and 2021, the average employer contribution rates for pension benefits are 28.01% and 27.29%, respectively, of covered payroll.LAX has made 100% of the actuarially determined contributions for both fiscal years.

LAX's Contributions to the LAFPP Plan

In fiscal year 2023, LAX's contribution rate for the APO that are members of the LAFPP Tier 6 plan, as determined by the actuary was 27.80% of covered payroll. Based on LAX's reported covered payroll of $13.2 million for Tier 6, LAX's pro rata share of the combined actuarially determined contribution for pension and postemployment healthcare benefits, and actual contribution made to LAFPP was $3.7 million. In fiscal year 2022, LAX's contribution rate for the APO that are members of the LAFPP Tier 6 plan, as determined by the actuary was 28.14% of covered payroll. Based on LAX's reported covered payroll of $10.1 million for Tier 6, LAX's pro rata share of the combined actuarially determined contribution for pension and postemployment healthcare benefits, and actual contribution made to LAFPP was $2.8 million.

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

At June 30, 2023, LAX recognized its proportionate shares of Net Pension Liability (NPL) of $579.0 thousand and pension expense of $1.9 million for the LAFPP plan. LAX 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	$ 2,622	$ —
Differences between expected and actual experience	370	826
Changes of assumptions	167	—
Net difference between projected and actual earnings on pension plan investments	64	—
Total	$ 3,223	$ 826

$2.6 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, 2024.

At June 30, 2022, LAX recognized its proportionate shares of Net Pension Asset of $106.5 thousand and pension expense of $1.9 million for the LAFPP plan. LAX 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	$ 1,987	$ —
Differences between expected and actual experience	815	51
Changes of assumptions	247	—
Net difference between projected and actual earnings on pension plan investments	—	1,983
Total	$ 3,049	$ 2,034

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. LAX 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 LAX's financial statements, LACERS' financial statements and the OPEB's actuarial valuation study for fiscal year 2020 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, 2019, 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, 2022 and June 30, 2021, the components of membership, excluding non-participating retirees and surviving spouses of LACERS postemployment healthcare benefits were as follows: (Note: information for fiscal year 2023 is not yet available as of this report issue date.)

	2022	2021
Retirement members/Surviving spouses [a]	17,753	17,500
Vested terminated members entitled to, but not yet receiving benefits [b]	1,537	1,554
Retired members and surviving spouses not yet eligible for health benefits	139	141
Active members	24,917	25,176
Total	44,346	44,371

a. *Total participants including married dependents and dependent children receiving benefits were 23,798 and 23,579 as of June 30, 2022 and 2021, respectively.*

b. *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, 2022, was 4.29% of covered payroll, determined by the June 30, 2020 actuarial valuation. The required contribution rate for the Postemployment Health Care Plan for the fiscal year ended June 30, 2021, was 4.49% of covered payroll, determined by the June 30, 2019 actuarial valuation. (Note: information for fiscal year 2023 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.

The total OPEB contributions to LACERS for the years ended June 30, 2023 and 2022 was $91.6 million and $103.4 million, representing 100% of the Actuarially Determined Contribution (ADC) of the employer as defined by GASB Statement No. 74[7]. (Note: information for fiscal year 2023 is not yet available as of this report issue date.)

LAX's Contributions to the Postemployment Health Care Plan

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

	2023	2022
LAX's required contributions to the Postemployment Health Care Plan	$ 9,945	$ 10,818

LAX's contributions made for the Postemployment Health Care Plan, in the amounts of $9.9 million and $10.8 million for fiscal years 2023 and 2022, 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. 75[8].

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

[8] *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, issued in June 2015*

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

LACERS' Net OPEB Liability (NOL) for fiscal year 2023 was measured as of June 30, 2022 and determined based upon the Plan Fiduciary Net Position (FNP) and Total OPEB Liability (TOL) from actuarial valuation as of June 30, 2022.

As of the reporting dates June 30, 2023 (measurement date of June 30, 2022) and June 30, 2022 (measurement date of June 30, 2021), LAX reported its proportionate shares of TOL, FNP and NOL as follows (amounts in thousands):

	Reporting date 6/30/23 Measurement date 6/30/22	Reporting date 6/30/22 Measurement date 6/30/21
LAX's proportionate share:		
Total OPEB Liability	$ 413,834	$ 404,553
Plan Fiduciary Net Position	(386,914)	(434,615)
Plan's Net OPEB Liability	$ 26,920	$ (30,062)
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	93.49 %	107.43 %

LAX's NOL was measured as the proportionate share of the NOL based on the employer contributions made by LAWA during fiscal year 2022. The NOL was measured as of June 30, 2022 and determined based upon the Postemployment Health Care Plan's FNP (plan assets) and TOL from actuarial valuations as of June 30, 2022.

Change in LAX's proportionate share of the NOL as of June 30, 2023 (measurement date June 30, 2022) and 2022 (measurement date June 30, 2021) was as follows (amounts in thousands):

	NOL	Proportion
Proportion - Reporting date June 30, 2023 (measurement date June 30, 2022)	$ 26,920	11.56%
Proportion - Reporting date June 30, 2022 (measurement date June 30, 2021)	$ (30,062)	11.49%
Change - Increase	$ 56,982	0.07%

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(continued)

For the year ended June 30, 2023, LAX recognized a Postemployment Health Care Plan's OPEB credit of (0.3 million). At June 30, 2023, LAX 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	$ 9,945	$ —
Differences between expected and actual experience	989	14,017
Changes of assumptions	9,966	23,208
Net difference between projected and actual earnings on OPEB plan investments	10,913	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	396	6,763
Total	$ 32,209	$ 43,988

$9.9 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, 2024. 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
2024	$ (6,977)
2025	(8,644)
2026	(11,038)
2027	8,609
2028	(3,312)
2029	(362)

For the year ended June 30, 2022, LAX recognized a Postemployment Health Care Plan's OPEB credit of ($9.1 million). At June 30, 2022, LAX 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	$ 10,818	$ —
Differences between expected and actual experience	1,526	18,945
Changes of assumptions	14,486	15,275
Net difference between projected and actual earnings on OPEB plan investments	—	62,611
Changes in proportion and differences between employer contributions and proportionate share of contributions	—	8,814
Total	$ 26,830	$ 105,645

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Actuarial Assumptions

The total OPEB liability as of June 30, 2022 was determined by actuarial valuation as of June 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

Date of Experience Study	June 30, 2019 (July 1, 2016 through June 30, 2019)
Long-Term Expected Rate of Return	7.00%
Inflation	2.75%
Projected Salary Increases	Range from 4.25% to 9.95% based on years of service, including inflation
Mortality Table for Retirees	Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Tables (separate tables for males and females) with rates increased by 10% for males, projected generationally with the two-dimensional mortality improvement scale MP-2019.
Mortality Table for Disabled Retirees	Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Tables with rates increased by 10% for males and decreased by 5% for females, projected generationally with the two-dimensional mortality improvement scale MP-2019.
Mortality Table for Beneficiaries	Pub-2010 Contingent Survivor Amount-Weighted Above Meridian Mortality Tables with rates increased by 10% for males and females, projected generationally with the two-dimensional mortality improvement scale MP-2019.
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.
Surviving Spouse Coverage	With regard to Members who are currently alive, 100% of eligible spouses or domestic partners are assumed to elect continued health coverage after the Member's death.
Healthcare 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 2021 are:

First Fiscal Year (July 1, 2022 through June 30, 2023)

Carrier	Under Age 65	Age 65 & Over
Kaiser HMO	5.81%	3.25%
Anthem Blue Cross HMO	8.29%	N/A
Anthem Blue Cross PPO	8.29%	3.25%
UHC Medicare HMO	N/A	3.98%

Dental Premium Trend to be applied is 3.00% for all years.

Medicare Part B Premium Trend is 4.50% for all years.

Discount Rate

The discount rate used to measure the total OPEB liability was 7.00% as of June 30, 2022 and June 30, 2021. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rates 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 for 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 OPEB 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 OPEB Liability as of both June 30, 2022 and June 30, 2021.

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 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 and by 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, are summarized in the following table. These values were used in the derivation of the long-term expected investment rate of return assumption that was used in the actuarial valuation as of June 30, 2022. This information is subject to change every three years based on the actuarial experience study. The last experience study was for July 1, 2016 through June 30, 2019. The next experience study will be conducted in 2023.

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Asset Class	Target Allocation	Arithmetic Long-Term Expected Real Rate of Return
U.S. Large Cap Equity	15.01%	5.54%
U.S. Small Cap Equity	3.99	6.25
Developed International Large Cap Equity	17.01	6.61
Developed International Small Cap Equity	2.97	6.90
Emerging International Large Cap Equity	5.67	8.74
Emerging International Small Cap Equity	1.35	10.63
Core Bonds	13.75	1.19
High Yield Bonds	2.00	3.14
Bank Loans	2.00	3.70
Emerging Market Debt (External)	2.25	3.55
Emerging Market Debt (Local)	2.25	4.75
Private Debt	3.75	6.00
Core Real Estate	4.20	4.60
Real Estate Investment Trust	1.00	5.98
Treasury Inflation Protected Securities	4.00	0.86
Commodities	1.00	3.33
Non-Core Real Assets	2.80	5.76
Private Equity	14.00	8.97
Cash	1.00	0.03
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, 2023.

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

The following presents LAX's proportionate share of the net OPEB liability/(asset) as of June 30, 2023, calculated using the discount rate of 7.00%, as well as what LAX's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate (dollar in thousands):

	June 30, 2023
1% decrease	6.00%
Net OPEB Liability	$84,808
Current discount rate	7.00%
Net OPEB Liability	$26,920
1% increase	8.00%
Net OPEB Liability	$(20,541)

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

The following presents LAX's proportionate share of the net OPEB (asset)/liability as of June 30, 2023, as well as what LAX'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 rate[9] (dollar in thousands):

	June 30, 2023
1% decrease	
Net OPEB Asset	$(24,960)
Current Healthcare Cost Trend Rates	
Net OPEB Liability	$26,920
1% increase	
Net OPEB Liability	$91,563

[9] *Current healthcare cost trend rates: 7.37% graded down to 4.50% over 12 years for Non-Medicare medical plan costs, and 6.37% graded down to 4.50% over 8 years for Medicare medical plan costs. 4.00% for all years for Dental and 4.50% for all years for Medicare part B subsidy cost.*

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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, 2023, LAX recognized its proportionate shares of Net OPEB Asset of $13.0 thousands and OPEB expense of $0.6 million for the LAFPP plan. LAX 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	$ 1,038	$ —
Differences between expected and actual experience	215	240
Changes of assumptions	63	325
Net difference between projected and actual earnings on OPEB plan investments	31	—
Total	$ 1,347	$ 565

$1.0 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, 2024.

At June 30, 2022, LAX recognized its proportionate shares of NOL of $20.0 thousand and OPEB expense of $0.7 million for the LAFPP plan. LAX 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	$ 853	$ —
Differences between expected and actual experience	315	247
Changes of assumptions	85	118
Net difference between projected and actual earnings on OPEB plan investments	—	422
Total	$ 1,253	$ 787

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 has purchased parametric insurance coverage for earthquake losses up to $25.0 million at LAX and $5.0 million at VNY, for a total of $30 million with a zero deductible. LAWA self-insures for earthquake losses in excess of $30.0 million.

LAWA carries commercial aviation general liability insurance with coverage limits of $1.3 billion for losses arising out of liability for airport operations. The self-insured retention on the commercial aviation general liability coverage is $500,000 per occurrence for bodily injury and property damage. The liability coverage has endorsements to cover third-party bodily injury and property damage claims and suits, on premises automobile coverage, personal and advertising injury coverage, errors and omissions coverage and hangar and aircraft owner's liability coverage. As a separate coverage agreement, LAWA carries employment practices liability insurance with coverage limits of $10.0 million for protection against employment-related losses, including coverage for defense costs and damages, with a self-insured retention of $1.5 million per occurrence.

LAWA carries all-risk property insurance with coverage limits of $2.5 billion for all LAWA properties. The deductible on this coverage is 5% per insured structure subject to $500,000 per occurrence with no aggregate. LAWA's property insurance also incorporates a special endorsement that provides coverage of $2.0 billion for property losses resulting from acts of terrorism for declared foreign acts of terrorism and "business interruption" losses resulting from a covered property peril as well as terrorism. LAWA's property insurance coverage also incorporates a special endorsement that provides for coverage for "boiler and machinery" losses up to a covered limit of $250.0 million.

LAWA carries cyber liability, ransom ware and technical errors and omissions insurance with coverage limits of $30.0 million for protection against cyber liability risks as well as critical financial protection from loss, disclosure, or theft of data in any form, including but not limited to, media and content rights infringement and liability, network security failure, denial of service attacks and transmission of malicious code. LAWA has a self-insured retention of $500,000.

LAWA also has purchased excess War and Risk Perils buy-back coverage with limits of $1.0 billion for any one occurrence and in the aggregate. War and Risk Perils coverage includes but is not limited to any act of one or more persons, whether or not agents for a sovereign for political or terrorist purposes and whether the loss or damage resulting therefrom is accidental or intentional and any malicious act or act of sabotage. Coverage under the War and Allied Perils endorsement may be terminated at any time by the underwriters and terminates automatically upon the outbreak of war (whether there has been a declaration of war or not) between any two or more of the following: France, the People's Republic of China, the Russian Federation, the United Kingdom or the United States, and certain provisions of the endorsement are terminated upon the hostile detonation of any weapon of war employing atomic or nuclear fission and/or fusion or other like reaction or radioactive force.

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LAWA maintains an insurance reserve fund pursuant to Board policy. This fund has been established to fund uninsured or under-insured losses or where insurance capacity is unavailable or excessive in cost relative to coverage. This reserve fund would provide primary funding for catastrophic losses with respect to both LAX and VNY and Palmdale Land Holdings. The insurance reserve fund balance at LAX was approximately $237.3 million and $89.7 million at June 30, 2023 and June 30, 2022, respectively.

A number of claims/lawsuits were pending against LAX that arose in the normal course of its operations. LAX recognizes a liability for claims and judgments when it is probable that an asset has been impaired or a liability has been incurred and the amount of the loss can be reasonably estimated. 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, 2023 and 2022 was $10.1 million.

LAX 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 LAX. The actuarially determined accrued liability for workers’ compensation includes provision for incurred but not reported claims and loss adjustment expenses. The present value of the estimated outstanding losses was calculated based on a 3% yield on investments. LAX’s accrued workers’ compensation liabilities at June 30, 2023 and 2022 were $87.9 million.

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

	June 30		
	2023	2022	2021
Balance at beginning of year	$ 98,054	$ 100,227	$ 99,227
Provision for current year's events and changes in provision for prior years' events	9,789	7,470	9,912
Claims payments	(9,850)	(9,643)	(8,912)
Balance at end of year	$ 97,993	$ 98,054	$ 100,227
Current portion	(11,161)	(9,850)	(9,643)
Noncurrent portion	$ 86,832	$ 88,204	$ 90,584

16. Public-Private and Public-Public Partnerships and Availability Payment Arrangements

According to GASB Statement No. 94, *Public-private and public-public partnerships and Availability payment arrangements*, public-private and public-public partnerships, collectively referred to as PPPs, comprise a wide variety of arrangements between a government and another party that are engaged in providing services to a government's constituents. Availability payment arrangements (APAs) also have been used in practice to procure governmental services. LAX have Public-Private Partnership (PPP) agreements for APM and ConRAC projects.

Automated People Mover System (APM)

On April 11, 2018, LAWA and LAX Integrated Express Solutions, LLC (APM Developer) entered into a design-build-finance-operate-maintain agreement, as amended (APM Agreement), for the purposes of developing, financing, operating and maintaining the approximately 2.25-mile elevated, grade-separated APM System that will generally run from the ConRAC to the Central Terminal Area (CTA). The APM System will include six stations: (i) one in the ConRAC; (ii) one to be located at the multi-modal/transit facility located at 96th Street and Aviation Boulevard, which facility will also contain a connection to the Los Angeles County Metropolitan Transportation Authority's light rail system; (iii) one to be located at the multi-modal/transit facility located north of 96th Avenue between Jetway Boulevard and Airport Boulevard; and (iv) three stations to be located in the CTA. Under the APM Agreement, LAWA has granted the APM Developer the exclusive right, during a 30-year term, to design, build, finance, operate and maintain the APM System. Construction of the APM System is continuing and, based on the APM Developer's current projections, LAWA currently estimates that the APM Passenger Service Availability date will occur in the second half of calendar year 2024.

The APM Developer has indicated that it expects to incur costs for the planning, development, design, construction and financing of the APM System of approximately $2.72 billion. Under the terms of the APM Agreement, the APM Developer is solely responsible for obtaining and repaying, at its own cost and risk and without recourse to the City or LAWA, all financing necessary for its share of the costs of the design and construction of the APM System.

The APM Agreement provides that beginning on the APM Passenger Service Availability (PSA) date, where the current contractual date is June 30, 2024, LAWA must make monthly payments to the APM Developer (APM Availability Payments). The APM Availability Payments are intended to compensate the APM Developer for the costs of designing, building and financing the APM System not otherwise paid from the APM Milestone Payments, as well as the costs of operating and maintaining the APM System over the term of the APM Agreement. Under the APM Agreement, LAWA's obligation to make the APM Availability Payments is subject to certain deductions for performance deficiencies and inflation-based increases tied to agreed-upon indices. The original contractual PSA date of March 31, 2023 has been extended under various change orders and is now June 30, 2024. For the extended period LAWA has agreed to make stepped-down Availability Payments to cover the APM Developer's financing costs. The Operations and Maintenance period of 25 years has been reduced by the same duration as the extended PSA date.

Total payments (including soft costs, costs under under the APM Agreement, and change orders) of approximately $1.3 billion were made through fiscal year 2023. For the components of the APM Availability Payments that are related to the design, construction, and financing of the APM in which ownership of the APM belongs to LAWA, all future payments for these components will be reported as a financed purchase of the APM by LAWA. For the components of the APM Availability Payments that are related to providing services for the operation or maintenance of the APM, future payments for these components will be accounted for as outflows of resources in the period to which the payments relate by LAWA.

Consolidated Rental Car Facility (ConRAC)

On November 6, 2018, LAWA and LA Gateway Partners, LLC (ConRAC Developer) entered into a design-build-finance-operate-maintain agreement for the ConRAC (ConRAC Agreement). The ConRAC Developer is comprised of Fengate Capital Management Ltd., PCL Investments USA, LLC, Johnson Controls, and MVI Finance LLC. Under the ConRAC Agreement, subject to certain limitations, LAWA granted to the ConRAC Developer the exclusive right, during the term of the ConRAC Agreement, to design, build, finance, operate and maintain the ConRAC. As of June 30, 2023, the ConRAC buildings are substantially completed and portions of the roadway and utility work, which is the responsibility of the ConRAC Developer, is still under construction.

The ConRAC Developer has indicated that it expects to incur costs for the design, construction and equipping of the ConRAC of approximately $1.3 billion (not including the exclusive use spaces that are the responsibility of the rental car companies that have entered into a Rental Car Concession Lease Agreements).

The ConRAC Agreement (as adjusted in accordance with the settlement of certain claims, as described below) further provides that, commencing on March 31, 2023, payments will be made to the ConRAC Developer to compensate the ConRAC Developer for the costs of designing, building and financing a portion of the ConRAC (ConRAC Capital Availability Payments), for the cost of operating and maintaining certain portions of the ConRAC (ConRAC Operations and Maintenance Availability Payments), and for the costs of renewing the ConRAC (ConRAC Renewal Availability Payments, and collectively with ConRAC Capital Availability Payments and ConRAC Operations and Maintenance Availability Payments, the ConRAC Availability Payments). LAWA expects to make the ConRAC Capital Availability Payments and the ConRAC Renewal Availability Payments from CFC revenues, subject to the prior payment of the principal of and interest on the LAX CFC Bonds and the other deposits required to be made to the funds and accounts established and maintained pursuant to the trust indenture entered into with respect to the LAX CFC Bonds.

For the components of the ConRAC Capital Availability Payments that are related to the design, construction, and financing of the ConRAC in which ownership of the ConRAC belongs to LAWA, all future payments for these components is reported as a financed purchase of the ConRAC by LAWA. For the components of the ConRAC Operations and Maintenance Availability Payments that are related to providing services for the operation or maintenance of the ConRAC, future payments for these components will be accounted for as outflows of resources in the period to which the payments relate by LAWA. For the components of the ConRAC Renewal Availability Payments that are related to the renewal of the capital assets for ConRAC in which ownership of the ConRAC belongs to LAWA, all future payments for these components is reported as a financed purchase of the ConRAC by LAWA.

As construction of the ConRAC was substantially completed in fiscal year 2023, the ConRAC is currently in an Operation Readiness Phase. The total cumulative costs (including all soft costs and costs under the ConRAC Agreement) for the ConRAC project incurred through June 30, 2023 was approximately $1.5 billion. LAWA has capitalized ConRAC for approximately $1.5 billion on June 30, 2023, with depreciation starting from July 2023. The capitalization costs included three elements: Periodic Payments, Milestones Payments and Change Orders, Capital Availability Payments, and Capital Renewal Payments.

		Amount (in millions)
Periodic and Milestone Payments, Change Orders, etc.	$	905.0
Capital Availability Payment (Note)		525.2
Capital Renewal Payment		69.6
	$	1,499.8

Note: The Capital Availability Payment includes payments of $0.8 million recognized in fiscal year 2023 and future payments of $524.4 million through fiscal year 2047.

Capital Availability Payment of $525.2 million was computed based on the present value of future payments of $892.5 million with discount rate of 4.71%. Capital Renewal Payment of $69.6 million was computed based on the present value of future payments of $120.9 million with discount rate of 4.71%. In connection with this transaction, LAWA recognized noncurrent liabilities of $584.1 million, current liabilities of $9.8 million, and interest expense of $2.2 million in fiscal year 2023. Future ConRAC Operations and Maintenance Availability Payment of approximately $129.7 million was computed based on the present value of future payments of $222.9 million with discount rate of 4.71%. This amount will be accounted for as outflows of resources in the period to which the payments relate by LAWA.

Subject to any limitations and exceptions expressly provided in the ConRAC Agreement, Annual Availability Payments (covering the ConRAC Capital Availability Payments, ConRAC Operations and Maintenance Availability Payments, and ConRAC Renewal Availability Payments) shall be paid to Developer in monthly installments. Each month, the Maximum Monthly Payment shall be calculated as the sum of (a) the monthly amount of the annual maximum availability payment, plus (b) the amount of Variable O&M Costs projected to be paid by Developer in the immediately subsequent month, plus (c) for the Month immediately following the end of each Quarter, a Utility Rate Risk Share calculated pursuant to the terms of the ConRAC Agreement.

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Principal and interest payments to be made related to the Capital Availability Payment for each of the next five years and in five-year increments thereafter are as follows (amounts in thousands):

Fiscal year(s) ending	Principal	Interest	Total
2024	$ 9,000	$ 24,506	$ 33,506
2025	9,775	24,066	33,841
2026	10,592	23,588	34,180
2027	11,451	23,071	34,522
2028	12,355	22,512	34,867
2029 - 2033	77,060	102,573	179,633
2034 - 2038	107,777	81,019	188,796
2039 - 2043	147,159	51,268	198,427
2044 - 2047	139,201	12,716	151,917
Total	$ 524,370	$ 365,319	$ 889,689

Principal and interest payments to be made related to the Capital Renewal Payment for each of the next five years and in five-year increments thereafter are as follows (amounts in thousands):

Fiscal year(s) ending	Principal	Interest	Total
2024	$ 774	$ 3,259	$ 4,033
2025	893	3,220	4,113
2026	1,021	3,175	4,196
2027	1,155	3,124	4,279
2028	1,298	3,067	4,365
2029 - 2033	8,957	14,214	23,171
2034 - 2038	14,037	11,545	25,582
2039 - 2043	20,747	7,498	28,245
2044 - 2047	20,653	1,898	22,551
Total	$ 69,535	$ 51,000	$ 120,535

17. Subscription Based Information Technology Agreements (SBITA)

LAX utilizes IT software contracts to purchase all software, including a variety of software products that are installed on servers, workstations, mobile devices, notebooks, and other hardware. These software products include core software used throughout the organization, such as Microsoft Office 365; Microsoft Teams; Adobe Acrobat Pro DC; Software -as -a -Service (SaaS), such as Amazon Web Services and Azure; and Firewall-as-a-Service (FWaaS), such as Cloudflare. These contracts are also used to purchase specialized programs, such as project scheduling, other airport-specific software, and associated software support services used throughout the organization, and to purchase software for capital and operating initiatives, including Interactive Kiosks, Workforce Central, SharePoint, OpenText, and software used for estimating, construction project management, drafting, aerial imagery, large document review and collaboration, Building Information Modeling, and project risk management, etc. In many cases, LAX is required to purchase the annual licenses for these products to obtain functional and security updates as well as maintenance support services.

LAX evaluates these contracts and identifies the qualified SBITAs in accordance with GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The present value of the SBITAs, calculated based on the incremental borrowing rate discussed below, are aggregated on a portfolio basis. LAX has adopted the following policies to account for agreements in accordance with the requirements of GASB No. 96.

Basis of SBITA classification

In accordance with GASB 96, LAX recognizes short-term subscription payments, which have a maximum possible term under the SBITA contract of 12 months or less, as outflows of resources based on the payment provisions of the contract.

For purposes of determining the applicability of GASB No. 96, Software as a Service, Platform as a Service, and Infrastructure as a Service are three common deployment models of cloud computing arrangements. Each deployment model may contain IT software used in combination with tangible capital assets. The substance of the arrangement is evaluated by LAX in accordance with GASB No. 96 to determine whether the arrangement meets the definition of SBITA.

Term

At the time of the SBITA commencement or conversion, the term will include possible extension periods that are deemed to be reasonably certain given all available information, regarding the likelihood of renewal. For extension periods without explicit rent payment amounts in the agreement, LAX assumed a CPI increase of 8.5% for fiscal year 2023 to prior payment amounts on an annual basis, and no such assumption was required in fiscal year 2022.

Discount rate

Unless explicitly stated in the agreement, known by LAX, or LAX is able to determine the rate implicit within the agreement, the discount rate used to calculate the right-to-use subscription assets and liabilities is LAWA's incremental borrowing rate at the end of each fiscal year.

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The discount rate utilized for the applicable agreement beginning in each fiscal year were as follows:

Term of Agreement	FY 2023	FY 2022
2-year	3.42	2.30
3-year	3.32	2.48
4-year	3.21	2.57
5-year	3.20	2.67
Above 5-year	3.33	3.22

Variable payments

Variable payments based on the future performance of the agreement or usage of the underlying asset are not included in the measurement of subscription assets or liabilities. For the fiscal years ended June 30, 2023 and 2022, all agreements are based on fixed payments and do not have variable payment components.

Remeasurement

For the fiscal years ended June 30, 2023 and 2022, LAWA did not have to remeasure any right-to-use subscription liabilities due to (1) early termination of subscription, (2) reduction in monthly subscription payment, and (3) change in borrowing rate.

Right-to-use subscription assets consist of the following (amounts in thousands):

	FY 2023	As Restated* FY 2022
Right-to-use subscription assets	$ 23,343	$ 18,223
Accumulated amortization	(16,350)	(7,118)
Total amortized assets	$ 6,993	$ 11,105

In accordance with GASB No. 96, LAX recognized $9.2 million and $7.1 million of amortization expense for the years ended June 30, 2023 and 2022, respectively. LAX also recognized $185.2 thousand and $267.1 thousand of interest expense for the years ended June 30, 2023 and 2022, respectively.

Principal and interest payments to be made, under these SBITAs for each of the next five years and in five-year increments thereafter are as follows (amounts in thousands):

Fiscal year(s) ending	Principal	Interest	Total
2024	2,294	67	2,361
2025	232	53	285
2026	245	46	291
2027	257	39	296
2028	270	32	302
2029 - 2033	1,214	52	1,266
Total	$ 4,512	$ 289	$ 4,801

18. Commitments, Litigations, and Contingencies

a. Commitments

LAX has commitments for open purchase orders of approximately $105.3 million and $176.1 million as of June 30, 2023 and 2022, respectively.

Automated People Mover System (APM)

LAWA has commitments to make a series of Milestone Payments according to the terms of contract for Automated People Mover (APM) during the construction, based upon the value of work performed and/or its completion of certain design and construction milestones. Total payments (including soft costs, costs under under the APM Agreement, and change orders) of approximately $1.3 billion were made through fiscal year 2023.

The APM Agreement provides that the APM Developer will be entitled to receive a series of six milestone payments from LAWA upon its completion of certain design and construction milestones in the aggregate principal amount of approximately $1.01 billion, subject to deductions provided in the APM Agreement, as partial compensation for the APM Developer's performance of the work required to design and construct the APM System (each such payment, an APM Milestone Payment). Subject to certain conditions being met by the APM Developer, the APM Agreement provides for LAWA to make APM Milestone Payments to the APM Developer of approximately $168.3 million, in each case not earlier than March 31, 2019, December 31, 2019, September 30, 2020, June 30, 2021, March 31, 2022 and 60 days after final completion of the APM Project. LAWA timely made the scheduled APM Milestone Payments to the APM Developer on March 31, 2019, December 31, 2019, September 30, 2020 and June 30, 2021. With respect to the March 31, 2022 APM Milestone Payment, LAWA paid only a portion of the payment ($145.2 million) to the APM Developer on March 31, 2022, because the APM Developer did not meet the full construction completion percentage requirement under the APM Agreement. LAWA paid the remaining $22.9 million attributable to the March 31, 2022 APM Milestone Payment on September 16, 2022, net of noncompliance deductions totaling $0.2 million. LAWA has agreed to pay the last APM Milestone Payment on or before September 15, 2024.

Consolidated Rental Car Facility (ConRAC)

LAWA has commitments to make a series of Consolidated Rental Car Facility (ConRAC) Milestone/Progress Payments during the construction based upon the value of work performed and/or its completion of certain design and construction milestones. Total payments of $905.0 million (including soft costs, costs under the ConRAC Agreement, and change orders) were made through fiscal year 2023.

As construction of the ConRAC was substantially completed in fiscal year 2023, the ConRAC is currently in an Operation Readiness Phase. The total cumulative costs (including all soft costs and costs under the ConRAC Agreement) for the ConRAC project incurred through June 30, 2023 was approximately $1.5 billion. LAWA has capitalized ConRAC for approximately $1.5 billion on June 30, 2023, with depreciation starting from July 2023. The capitalization costs included three elements: Periodic Payments, Milestones Payments and Change Orders, Capital Availability Payments, and Capital Renewal Payments.

Capital Availability Payment of $525.2 million was computed based on the present value of future payments of $892.5 million with discount rate of 4.71%. Capital Renewal Payment of $69.6 million was computed based on the present value of future payments of $120.9 million with discount rate of 4.71%. Future ConRAC Operations and Maintenance Availability Payment of approximately $129.7 million was computed based on the present value of future payments of $222.9 million with discount rate of 4.71%. This amount will be accounted for as outflows of resources in the period to which the payments relate by LAWA.

LAX has the following commitments on major construction contracts[10]:

Project	Amount (in millions)
ATMP Roadway Improvements	$ 308
Runway 6L-24R Exits	156
Roadways, Utilities & Enabling Projects	133
Taxiway D Extension	54
Total	$ 651

LAX has the following commitments on major tenant based acquisitions:

Project	Amount (in millions)
Terminals 2/3 Improvement	$ 629
Terminals 4/5 Improvement	982
Terminal 6 Improvement	148
Total	$ 1,759

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.

[10] *Unpaid portion of total commitments.*

c. Environmental Issues

LAX bears ultimate responsibility for the cleanup of environmental contamination on property it owns. However, there are instances where tenants accept responsibility for the cleanup actions. Under certain applicable laws, LAX may become liable for cleaning up soil and/or groundwater contamination on a property in the event that the previous responsible party does not perform its assessment or remediation obligations. No assurance can be given that any future investigation and/or remediation costs for any such contamination will not be material.

On November 7, 2019, the Board approved: (i) an update to the LAX Ground Support Equipment Emissions Reduction Policy (GSE ERP) with new emission reduction targets for 2023 and 2031; (ii) the LAX Air Quality Improvement Measures (AQIM), which consolidated existing air quality improvement programs or previously adopted policies into one plan to more efficiently track progress and align with LAWA's Sustainability Action Plan; and (iii) a Memorandum of Understanding (MOU) with the South Coast Air Quality Management District (SCAQMD) to quantify emission reductions associated with the following LAX AQIM measures identified in the MOU to assist SCAQMD in obtaining emission reductions for these measures to meet its obligations under the Clean Air Act:

- Ground Support Equipment Emissions Reduction Policy
- Alternative Fuel Vehicle Incentive Program
- Zero-Emission Bus Program

LAX's primary obligations under the MOU are to implement the above measures and provide annual reports to SCAQMD on implementation of the measures, including equipment data and emission inventory calculations. In the event that actual emission reduction is less than the estimated emission reduction projected for these measures, LAX and SCAQMD will work together to consider potential new or enhanced programs, or better efforts to quantify existing programs, to help SCAQMD address any shortfalls.

19. Subsequent Events

On October 2, 2023, the Board approved to issue a change order in the amount of $69.5 million, and the appropriation of $30.0 million to LAX's project contingency relating to the Automated People Mover (APM) Project. LAX Integrated Express Solutions, LLC (LINXS) is the Developer under the design-build-finance-operate-maintain agreement for the Landside Access Modernization Program's APM Project. The Developer has submitted various Relief Events claims where LAX and the Developer have disagreed on the merit of said claims, including Developer's Global Roadways Claim. The Developer and LAX negotiated said claims and agreed to Change Order 66 to settle all delay-related Relief Event Claims through December 8, 2022, and direct costs for various Relief Event Claims. LAX also agreed as part of the settlement to resolve the incremental direct costs associated with certain roadway work and escalation costs related to the delays. LAX and LINXS have been negotiating the amount of incremental direct costs associated with the Developer's Global Roadways Claim and have recently reached agreement on terms to bilaterally settle a compensation amount for the claim. LAX has acknowledged that the Developer has established justification to certain costs for Developer's Global Roadways Claim for its claims for extra work for both completed work and work not yet performed. The actions taken on this item by the Board is subject to City Council approval.

On October 19, 2023, the Board approved the amendments to the Rental Car (RAC) Concession Agreements (on-airport RACs) at LAX to extend the contract term to allow the on-airport RACs to continue to operate until each RAC commences operation in the Consolidated Rental Car Facility (ConRAC). There are currently ten active on-airport RAC Non-Exclusive Concession Agreements. The agreements were extended in 2019 to terminate on the earlier of (a) the ConRAC Date of Beneficial Occupancy (DBO) or (b) January 30, 2024. The opening of the ConRAC has been delayed beyond January 30, 2024. To allow on-airport RACs to continue their current operations until they relocate to the ConRAC, the Board approved amending the Non-Exclusive Concession Agreements to terminate on the earlier of (a) the ConRAC DBO or (b) January 30, 2025, with one six-month extension option.

On October 19, 2023, the Board approved a Blanket Authority covering a new Non-Concessionaire Rental Car Services (off-airport RACs) Non-Exclusive License Agreement (NELA) at LAX for the period of February 1, 2024, to January 31, 2025 (with one six month extension option) to allow the existing off-airport RACs and new off-airport RACs to operate until the date the off-airport RACs commence operations from the ConRAC Bus Plaza. The opening of the ConRAC has been delayed beyond January 31, 2024. To allow the off-airport RACs to continue their current operation until they relocate to the ConRAC Bus Plaza, the Board approved the new NELA that will terminate on the earlier of (a) the date off-airport RACs commence operations from the ConRAC Bus Plaza or (b) January 31, 2025, with one six-month extension option.

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REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

2023 ANNUAL FINANCIAL REPORT

LOS ANGELES INTERNATIONAL AIRPORT

REQUIRED SUPPLEMENTARY INFORMATION

(UNAUDITED)

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

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, LAX 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 LAX'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	12.71 %	$ 566,613	$ 229,535	246.85 %	$ 1,498,734	$ 2,065,347	72.57 %
2016	12.87 %	$ 642,431	$ 235,176	273.17 %	$ 1,534,875	$ 2,177,306	70.49 %
2017	13.55 %	$ 761,187	$ 256,833	296.37 %	$ 1,599,900	$ 2,361,087	67.77 %
2018	13.47 %	$ 710,724	$ 266,780	266.41 %	$ 1,774,969	$ 2,485,693	71.41 %
2019	13.52 %	$ 771,926	$ 274,167	281.55 %	$ 1,924,658	$ 2,696,584	71.37 %
2020	13.49 %	$ 806,117	$ 275,892	292.19 %	$ 1,997,900	$ 2,804,017	71.25 %
2021	13.23 %	$ 1,004,450	$ 287,623	349.22 %	$ 1,974,887	$ 2,979,337	66.29 %
2022	12.30 %	$ 536,606	$ 266,130	201.63 %	$ 2,326,341	$ 2,862,947	81.26 %
2023	12.29 %	$ 868,347	$ 251,303	345.54 %	$ 2,090,854	$ 2,959,201	70.66 %

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

Notes to schedule:

1. Changes of assumptions

   The June 30, 2014 calculations reflected various assumption changes based on the triennial experience study for the period from July 1, 2011 through June 30, 2014. The increase of total pension liability for fiscal years ended on June 30, 2014 is primarily due to the lowered assumed investment rate of return from 7.75% to 7.50%, 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% to 7.25%. The June 30, 2018 calculations reflected changes in the actuarial assumptions adopted by the Board on August 14, 2018 based on the triennial experience study for the period from July 1, 2014 through June 30, 2017, including revising the mortality tables from static to generational to reflect future mortality improvement, contributing to increased total pension liability. The June 30, 2020 calculations reflected changes in the actuarial assumptions based on the actuarial experience study covering the period from July 1, 2016 to June 30, 2019, and adopted by the Board on June 23, 2020. The changes included lowered assumed investment rate of return from 7.25% to 7.00% along with an Inflation Rate reduction from 3.00% to 2.75%, changes in various demographic assumptions such as adjustments on retirement, termination, disability and mortality rates.

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.

Schedule of Contributions - Pension

Los Angeles City Employees' Retirement System (LACERS)

	2023	2022	2021	2020	2019
Contractually required contribution (actuarially determined)	$ 77,463	$ 72,808	$ 68,312	$ 73,229	$ 64,737
contributions	77,463	72,808	68,312	73,229	64,737
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —
LAX's covered payroll	$ 253,909	$ 251,757	$ 266,130	$ 287,623	$275,892
LAX's contributions as a percentage of covered payroll	30.51 %	28.92 %	25.67 %	25.46 %	23.46 %

	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	$ 60,948	$ 61,197	$ 55,972	$ 49,043
contributions	60,948	61,197	55,972	49,043
Contribution deficiency (excess)	$ —	$ —	$ —	$ —
LAX's covered payroll	$ 274,167	$ 266,780	$ 256,833	$ 235,176
LAX's contributions as a percentage of covered payroll	22.23 %	22.94 %	21.79 %	20.85 %

Required Supplementary Information (Unaudited) (continued)

Last Ten Fiscal Years Ended June 30

(amounts in thousands)

Notes to Schedules - Pension

Los Angeles City Employees' Retirement System (LACERS)

Valuation Date	June 30, 2022
Actuarial Cost Method	Entry age actuarial cost method
Amortization Method	Level percent of payroll
Investment Rate of Return	7.00%
Inflation	2.75 %
Projected Salary Increases	Ranges from 4.25% to 9.95% based on years of service

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, LAX 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 LAX's Proportionate Share of the Net OPEB Liability

Los Angeles City Employees' Retirement System (LACERS)

Fiscal Year	Proportion of the Net Postemployment Health Care (OPEB) Liability	Proportionate share of the Net OPEB (Asset) Liability	Covered Payroll (1)	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	13.46 %	$ 76,310	$ 266,780	28.60 %	$ 328,269	$ 404,579	81.14 %
2019	13.28 %	$ 77,056	$ 274,167	28.11 %	$ 355,290	$ 432,346	82.18 %
2020	13.00 %	$ 67,889	$ 275,892	24.61 %	$ 365,588	$ 433,477	84.34 %
2021	12.56 %	$ 79,788	$ 287,623	27.74 %	$ 358,071	$ 437,859	81.78 %
2022	11.49 %	$ (30,062)	$ 266,130	(11.30)%	$ 434,615	$ 404,553	107.43 %
2023	11.56 %	$ 26,920	$ 251,303	10.71 %	$ 386,914	$ 413,834	93.49 %

Notes to schedule:

1. 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 - OPEB

Los Angeles City Employees' Retirement System (LACERS)

	2023	2022	2021	2020	2019
Contractually required contribution (actuarially determined)	$ 9,945	$ 10,818	$ 12,064	$ 14,245	$ 14,212
Contributions in relation to the actuarially determined contributions	9,945	10,818	12,064	14,245	14,212
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —
LAX's covered payroll	$ 253,909	$ 251,757	$ 266,130	$ 287,623	$ 275,892
LAX's contributions as a percentage of covered payroll	3.92 %	4.30 %	4.53 %	4.95 %	5.15 %

	2018
Contractually required contribution (actuarially determined)	$ 13,586
Contributions in relation to the actuarially determined contributions	13,586
Contribution deficiency (excess)	$ —
LAX's covered payroll	$ 274,167
LAX's contributions as a percentage of covered payroll	4.96 %

Notes to Schedules - OPEB

Los Angeles City Employees' Retirement System (LACERS)

Valuation Date	June 30, 2022
Actuarial Cost Method	Entry age actuarial cost method
Amortization Method	Level percent of payroll
Investment Rate of Return	7.00%
Inflation	2.75 %
Projected Salary Increases	Ranges from 4.25% to 9.95% based on years of service

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COMPLIANCE SECTION

2023 ANNUAL FINANCIAL REPORT

LOS ANGELES INTERNATIONAL AIRPORT

COMPLIANCE SECTION

- 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

- Schedule of Passenger Facility Charge Revenues and Expenditures

- Notes to the Schedule of Passenger Facility Charge Revenues and Expenditures

- 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

- Schedule of Customer Facility Charge Revenues and Expenditures

- Notes to the Schedule of Customer Facility Charge Revenues and Expenditures

MOSSADAMS

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 Passenger Facility Charge Program

Opinion on PFC Program

We have audited Los Angeles International Airport ("LAX"), a department of Los Angeles World Airports (Department of Airports of the City of Los Angeles, California), 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 the Passenger Facility Charge ("PFC") program for the year ended June 30, 2023.

In our opinion, LAX complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its PFC program for the year ended June 30, 2023.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing,* issued by the Comptroller General of the United States *(Government Auditing Standards)*; and the Guide. Our responsibilities under those standards and the Guide are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of LAX and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the PFC program. Our audit does not provide a legal determination of LAX's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal control over compliance with requirements of laws, statutes, regulations, and provisions of contracts or grant agreements applicable to the PFC program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on LAX's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Guide will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about LAX's compliance with the requirements of the PFC program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards,* and the Guide, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding LAX's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of LAX's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 LAX's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 Schedule of Passenger Facility Charge Revenues and Expenditures

We have audited the financial statements of LAX, as of and for the year ended June 30, 2023, and the related notes to the financial statements which collectively comprise LAX's basic financial statements, and have issued our report thereon dated October 25, 2023, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 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 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 Schedule of Passenger Facility Charge Revenues and Expenditures is fairly stated in all material respects in relation to the financial statements as a whole.

Moss Adams LLP

El Segundo, California
October 25, 2023

Los Angeles World Airports

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

Los Angeles International Airport

Schedule of Passenger Facility Charge Revenues and Expenditures

For the Fiscal Years Ended June 30, 2023 and 2022

(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 Program to date as of June 30, 2021	$ 2,813,676	$ 232,703	$ 3,046,379	$ 2,809,896	$ 236,483
Fiscal year 2021-22 transactions					
Quarter ended September 30, 2021	36,438	657	37,095	24,375	12,720
Quarter ended December 31, 2021	23,067	685	23,752	24,375	(623)
Quarter ended March 31, 2022	22,967	651	23,618	24,375	(757)
Quarter ended June 30, 2022	42,384	686	43,070	24,382	18,688
Program to date as of Program to date as of June 30, 2022	2,938,532	235,382	3,173,914	2,907,403	266,511
Fiscal year 2022-23 transactions					
Quarter ended September 30, 2022	32,362	990	33,352	42,721	(9,369)
Quarter ended December 31, 2022	36,093	1,287	37,380	42,721	(5,341)
Quarter ended March 31, 2023	35,999	1,279	37,278	42,721	(5,443)
Quarter ended June 30, 2023	39,868	1,629	41,497	1,721	39,776
Unexpended passenger facility charge revenues and interest earned June 30, 2023	$ 3,082,854	$ 240,567	$ 3,323,421	$ 3,037,287	$ 286,134

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)

Los Angeles International Airport

Notes to the Schedule of Passenger Facility Charge Revenues and Expenditures For the Fiscal Years Ended June 30, 2023 and 2022

1. General

The Aviation Safety and Capacity Expansion Act of 1990 (Public Law 101-508, Title II, Subtitle B) authorized the imposition of Passenger Facility Charges (PFCs) and use of the resulting revenue on Federal Aviation Administration (FAA) approved projects. The current PFC rate is $4.50 per enplaned passenger. PFCs collection authorities approved by FAA were $9.5 billion and $6.0 billion at LAX as of June 30, 2023 and 2022, respectively.

The details are as follows (amounts in thousands):

Application number	Charge effective date*	2023 Amount approved for use	2022 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	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
20-12-C-00-LAX	1/1/2029	1,771,936	1,771,936
23-13-C-00-LAX	1/1/2038	$ 3,475,250	$ —
Total		$ 9,514,564	$ 6,039,314

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

Note:

In May 2023, FAA approved application number 23-13-C-00-LAX for a total amount of $3.475 billion ($1.750 billion for bond capital and $1.725 billion for financing and interest) for the Automated People Mover (APM) System, and $250 thousand for PFC Consulting Fees. The APM system includes three stations inside the central terminal area (West, Center, and East Central Terminal Area stations) and three outside the terminal loop (Intermodal Transportation Facilities (ITF) West, Airport Metro Connector, and Consolidated Rent-A-Car (ConRAC) stations). The APM system is the centerpiece of LAX's Landside Access Modernization Program (LAMP).

Notes to the Schedule of Passenger Facility Charge Revenues and Expenditures For the Fiscal Years Ended June 30, 2023 and 2022

(continued)

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 2023	Expenditures to date June 30 2022
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	562,849	562,849
Noise Mitigation - Soundproofing	125,000	125,000	125,000
Noise Mitigation - Other Local Jurisdictions	178,334	178,335	178,335
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	386,230	373,289
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	50,000	50,000
Bradley West	1,848,284	786,867	759,299
Lennox Schools Soundproofing Program	27,801	23,946	23,946
Inglewood USD Soundproofing Program	44,379	40,000	40,000
Terminal 6 Improvements	210,131	121,910	114,089
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	—	—
Midfield Satellite Concourse - Phase I	1,750,000	122,244	40,690
PFC Consulting Fees	250	245	245
Inglewood High School Soundproofing Program	21,686	—	—
Automated People Mover System	3,475,000	—	—
PFC Consulting Fees	250	—	—
Total	$ 9,514,564	$ 3,037,287	$ 2,907,403

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.

MOSSADAMS

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 Customer Facility Charge Program

Opinion on CFC Program

We have audited Los Angeles International Airport ("LAX"), a department of Los Angeles World Airports (Department of Airports of the City of Los Angeles, California), 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 the Customer Facility Charge ("CFC") program for the year ended June 30, 2023.

In our opinion, LAX complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its CFC programs for the year ended June 30, 2023.

Basis for Opinion on CFC Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States *(Government Auditing Standards)*; and the Code. Our responsibilities under those standards and the Code are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of LAX and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the CFC program. Our audit does not provide a legal determination of LAX's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal control over compliance with requirements of laws, statutes, regulations, and provisions of contracts or grant agreements applicable to the CFC program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on LAX's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Code will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about LAX's compliance with the requirements of the CFC program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards,* and the Code, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding LAX's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of LAX's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 LAX's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 Schedule of Customer Facility Charge Revenues and Expenditures

We have audited the financial statements of LAX, an Enterprise Fund of the City of Los Angeles, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise LAX's basic financial statements, and have issued our report thereon dated October 25, 2023, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 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 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 Schedule of Customer Facility Charge Revenues and Expenditures is fairly stated in all material respects in relation to the financial statements as a whole.

Moss Adams LLP

El Segundo, California
October 25, 2023

Los Angeles World Airports

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

Los Angeles International Airport

Schedule of Customer Facility Charge Revenues and Expenditures

For the Fiscal Years Ended June 30, 2023 and 2022

(amounts in thousands)

	Customer facility charge revenue	Interest earned	Total revenues	Expenditures on approved projects	Under (over) expenditures on approved projects
Program to date as of as of June 30, 2021	$ 500,903	$ 40,275	$ 541,178	$ 448,200	$ 92,978
Fiscal year 2021-22 transactions					
Quarter ended September 30, 2021	16,142	111	16,253	35,187	(18,934)
Quarter ended December 31, 2021	14,233	165	14,398	—	14,398
Quarter ended March 31, 2022	12,119	117	12,236	94,899	(82,663)
Quarter ended June 30, 2022	18,497	342	18,839	15,391	3,448
Program to date as of as of June 30, 2022	561,894	41,010	602,904	593,677	9,227
Fiscal year 2022-23 transactions					
Quarter ended September 30, 2022	17,893	776	18,669	17,287	1,382
Quarter ended December 31, 2022	15,550	1,933	17,483	17,049	434
Quarter ended March 31, 2023	14,175	2,820	16,995	15,124	1,871
Quarter ended June 30, 2023	18,900	4,589	23,489	16,493	6,996
Unexpended customer facility charge revenues and interest earned June 30, 2023	$ 628,412	$ 51,128	$ 679,540	$ 659,630	$ 19,910

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)

Los Angeles International Airport

Notes to the Schedule of Customer Facility Charge Revenues and Expenditures
For the Fiscal Years Ended June 30, 2023 and 2022

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 lntermodal 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):

	2023	2022
Amount collected	$ 628,412	$ 561,894
Interest earnings	51,128	41,010
Subtotal	679,540	602,904
Expenditures		
ConRAC planning, design and construction	659,630	593,677
Unexpended CFCs revenue and interest earnings	$ 19,910	$ 9,227

LAX is in the stages of delivering LAMP to modernize and improve landside access at LAX with the ConRAC as a critical component. Pursuant to Board Resolution No. 26684 that was adopted on January 17, 2019, LAWA has authority to use up to $2.1 billion for the payment/reimbursement of Design-Build-Finance- Operate-Maintain (DBFOM) Agreement with LA Gateway Partners for the ConRAC from sources of revenue including but not limited to CFCs, LAX non-aeronautical revenues, special facility bond proceeds, and revenues derived from concession and lease agreements between LAWA and rental car companies using the ConRAC. In this regard, the amount of CFC funds that was used for ConRAC Design and Construction (D&C) payments was $66.0 million and $145.5 million in fiscal years 2023 and 2022, respectively. LAX's cumulative expenditures on approved CFCs projects totaled $659.6 million and $593.7 million for fiscal years 2023 and 2022, respectively.

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.

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