



# COMPREHENSIVE ANNUAL FINANCIAL REPORT 2020

Fiscal Years Ended  
June 30, 2020 and 2019



Department of Airports  
Los Angeles, California





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

**Comprehensive  
Annual Financial Report**  
Fiscal years ended  
June 30, 2020 and 2019

Prepared by  
Financial Reporting Division



## Los Angeles World Airports

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

### Comprehensive Annual Financial Report Fiscal Years Ended June 30, 2020 and 2019

## Table of Contents

#### INTRODUCTORY SECTION

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

#### FINANCIAL SECTION

##### 1 Report of Independent Auditors

##### 5 Management's Discussion and Analysis (Unaudited)

##### Financial Statements

- 41 Statements of Net Position
- 43 Statements of Revenues, Expenses and Changes in Net Position
- 44 Statements of Cash Flows
- 49 Notes to the Financial Statements (Index Page 47)

##### Required Supplementary Information (Unaudited)

- 113 Schedule of LAWA's Proportionate Share of the Net Pension Liability
- 114 Schedule of Contributions - Pension
- 115 Notes to Schedule - Pension
- 116 Schedule of LAWA's Proportionate Share of the Net OPEB Liability
- 117 Schedule of Contributions - OPEB
- 118 Notes to Schedule - OPEB

##### Supplemental Information

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

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## Los Angeles World Airports

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

### Comprehensive Annual Financial Report Fiscal Years Ended June 30, 2020 and 2019

#### Table of Contents *(continued)*

##### Statistical Section (Unaudited)

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

##### Compliance Section

167	Report of Independent Auditors on Compliance with Applicable Requirements of the Passenger Facility Charge Program and Internal Control Over Compliance
169	Schedule of Passenger Facility Charge Revenues and Expenditures
170	Notes to the Schedule of Passenger Facility Charge Revenues and Expenditures
173	Report of Independent Auditors on Compliance with Applicable Requirements of the Customer Facility Charge Program and Internal Control Over Compliance
175	Schedule of Customer Facility Charge Revenues and Expenditures
176	Notes to the Schedule of Customer Facility Charge Revenues and Expenditures

Prepared by: **Financial Reporting Division of Los Angeles World Airports**



# Introductory Section

2020 Comprehensive Annual Financial Report  
Los Angeles World Airports



# Introductory Section

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



October 28, 2020

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

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the Los Angeles World Airports (Department of Airports of the City of Los Angeles, California) (LAWA) for the fiscal year ended June 30, 2020. The CAFR, which was prepared following the guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA), contains financial statements and statistical data that fully disclose all material financial operations of LAWA. Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with LAWA's management. We believe that the data presented is complete and reliable in all material respects. This transmittal letter presents a summary of LAWA's background, economic condition and outlook, and major initiatives and developments.

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

## Profile of the Reporting Entity

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

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

LAWA operates and maintains two airports, Los Angeles International Airport (LAX) and Van Nuys Airport (VNY), within the five-county area of Los Angeles, Orange, Ventura, Riverside and San Bernardino counties (Air Trade Area). In addition, LAWA maintains LA/Palmdale Regional Airport (PMD), although PMD is not currently certificated by the Federal Aviation Administration (FAA).

### LAX

### Van Nuys

### City of Los Angeles

Eric Garcetti  
Mayor

### Board of Airport Commissioners

Sean O. Burton  
President

Valeria C. Velasco  
Vice President

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

Justin Erbacci  
Chief Executive Officer



## Transmittal Letter (continued)

LAX is located approximately 15 miles from downtown Los Angeles on the western boundary of the City. LAX occupies approximately 3,800 acres in an area generally bounded on the north by Manchester Avenue, on the east by La Cienega Boulevard, on the south by Imperial Highway and on the west by Vista Del Mar. The LAX site, originally known as Mines Field, has been in use as an aviation field since 1928. During World War II it was used for military flights. Commercial airline service started in December 1946. In the early 1980s, LAX added domestic and international terminals, parking structures and a second level roadway. LAX offers commercial air service to every major city in the United States and to virtually every major international destination, and is classified by the FAA as a large hub airport.

No airline dominates in shares of enplaned passengers or provides formal ‘hubbing’ activity at LAX. No air carrier accounted for more than 20% of LAX’s total enplanements for fiscal year 2020. For fiscal year 2020, approximately 82.1% of passengers at LAX represented originating and destination (O&D) passengers (that is, all passengers beginning or ending their trips at LAX). The remaining approximately 17.9% 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. LAX provided scheduled service to 34 international destinations in June 2020, which increased to 56 international destinations in early October 2020.

According to Airports Council International (ACI) statistics, in calendar year 2019, LAX ranked as the 3rd busiest airport in the world, and the 2nd busiest airport in North America in terms of total number of enplaned passengers, and 13th busiest airport in the world and 5th busiest airport in North America in terms of total cargo. According to the United States Department of Transportation O&D Survey of Airline Passenger Traffic for calendar year 2019, LAX ranked 1st nationally in number of domestic O&D passengers. O&D passengers begin and end their journeys at LAX, while connecting passengers transfer to other flights at LAX. Enplanements had grown from approximately 36.1 million in fiscal year 2015 to approximately 44.2 million in fiscal year 2019, an increase of approximately 22.4%. Enplanements in fiscal year 2020 was tapered to 31.4 million as a result of the COVID-19 pandemic outbreak, which happened since the first quarter of calendar year 2020.

VNY is a general aviation airport located 20 miles northwest of downtown Los Angeles, in the San Fernando Valley, and occupies approximately 730 acres. VNY is one of the busiest general aviation airports in the U.S. with over 215,400 operating movements in fiscal year 2020. More than 100 businesses are located at VNY, including four fixed-base operators and numerous other aviation service companies. These businesses cater to a variety of private, government and corporate aviation needs.

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

## COVID-19 Issues and Impacts

The outbreak of COVID-19, a respiratory disease which was first reported in December 2019, has since become a worldwide pandemic. The COVID-19 pandemic has resulted in a number of governmental actions, including:

- A national state of emergency declared by the President of the United States.
- Travel restrictions and warnings domestically and internationally by the United States State Department and the Centers for Disease Control and Prevention (CDC), as well as other governmental authorities, nations and airlines.
- The issuance of ‘stay at home’ or ‘shelter in place’ orders by many state and local governments in the United States and governments abroad.
- Declaration of a state of emergency by the Governor of the State of California.
- The issuance of orders by the County of Los Angeles Department of Public Health (Department of Public Health) directing businesses to close and citizens to stay in their residences as much as practicable, which severely restrict movement and limit business and activities to essential functions.
- The issuance of orders from the City of Los Angeles’ Mayor which mandated the closure of all ‘non-essential businesses’ including schools, bars, performance venues, fitness centers, movie theaters, dine-in service at restaurants and many other public venues.

Overall, the restrictions put in place in response to COVID-19 include restrictions on travel, public gatherings and large group events, orders for residents to stay at home and the promotion of working-at-home.

Airports in the United States have been acutely impacted by the reductions in passenger volumes and flights, as well as by the broader economic shutdown resulting from the COVID-19 pandemic. The pandemic has had an adverse effect on domestic and international travel and travel related industries, including airlines and concessionaires.

Airlines serving LAX have reduced or cancelled flights and curtailed their overall capacity due to a severe and dramatic drop in demand for both domestic and international air travel in an attempt to match capacity to the modified demand for air travel. Airlines have reported unprecedented reductions in passenger volumes and that they expect those reductions to continue. As of May 19, 2020, ACI World estimated a reduction of more than 4.6 billion passengers and more than \$97 billion loss in revenue for the global airport industry in 2020. In a press release on July 3, 2020, ACI World indicated that global passenger traffic declined by approximately 94.4% year-over-year in April 2020.

Since March 2020, all passenger airlines serving LAX have reported a downturn in traffic as well as expectations for continued reduced levels of traffic. Total enplanements and deplanements for both domestic and international travel were down 59% in January through June 2020 over the prior year. Total enplanements and deplanements at LAX for April 2020 decreased approximately 95.9% as compared to April 2019. Total enplanements and deplanements at LAX for May 2020 decreased approximately 92.7% as compared to May 2019. Total enplanements and deplanements at LAX for June 2020 decreased approximately 87.1% as compared to June 2019. In July 2020, American Airlines announced that it will be suspending certain long-haul international flights originating from LAX with destinations in Asia and Latin America. This change is expected to result in a reduction of approximately 1,100 daily international seats from LAX.



## Transmittal Letter (continued)

On March 27, 2020, the President signed into law the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), which includes \$10 billion in funds to be awarded as economic relief to eligible U.S. airports affected by the prevention of, preparation for, and response to the COVID-19 pandemic. As a part of the CARES Act, airlines are restricted from mass layoffs through September 30, 2020. It is unclear what effect the expiration of the employment requirements on October 1, 2020 will have on airlines. As a result of the foregoing, LAWA has seen an impact to certain operations and revenue sources. Passenger and air traffic declines have proportional impacts on various revenue sources. Landing fees, concessions, parking, ground transportation and transportation network companies' revenues are directly affected by decreases in passenger traffic.

Passenger and other traffic activity highlights at LAX, together with analysis of LAWA's financial activities during the last three fiscal years, are discussed in the Management's Discussion and Analysis (MD&A).

### LAWA's Mitigation Measures in Response to COVID-19

In response to the COVID-19 pandemic, LAWA is proactively implementing measures intended to mitigate operational and financial impacts, including: a hiring freeze; deferring non-essential discretionary spending; limiting approvals of contracts and task orders to those that are essential to key capital projects and critical tasks; limiting overtime to those activities that are necessary for safety, critical operations or emergency management; encouraging voluntary furloughs or reduced work schedules for certain hourly employees; implementing a retirement incentive program; collaborating with CDC on enhanced screening and increasing sanitation procedures at LAX. LAWA was one of the first U.S. airports to implement austerity and other measures in response to the pandemic. Among those measures are the April 2020 approvals of the Passenger Airline Temporary Relief Program and the Concessionaires and Services Temporary Relief Program.

#### Passenger Airline Temporary Relief Program

On April 9, 2020, the Board adopted a temporary terminal and airfield fee relief program with respect to passenger airlines serving LAX (Passenger Airline Temporary Relief Program). The Passenger Airline Temporary Relief Program permits eligible passenger air carriers subject to a terminal lease or the Airport Terminal Tariff to apply for relief. Key elements of the Passenger Airline Temporary Relief Program are as follows:

- Deferral of terminal and airfield fees payable from April through May 2020.
- All airlines were required to start repayment of any deferred amounts on July 1, 2020. For airlines that were a party to an Amended and Restated Rate Agreement by July 31, 2020, repayment of the deferred amounts will be required to be made over a six-month period, starting July 1, 2020 to be paid in equal monthly installments, and for airlines that were not party to an Amended and Restated Rate Agreement by July 31, 2020, the remaining deferred amounts must be fully repaid on or before August 1, 2020.
- On June 18, 2020, the Board approved keeping landing fees and apron fees unchanged through calendar year 2020.

As of June 30, 2020, the amount of deferred airline rents and fees included in accounts receivable was approximately \$93.0 million.

#### Concessionaires and Services Temporary Relief Program

On April 16, 2020, the Board adopted a fee relief program for LAX concessionaires and service providers at LAX (Concessionaires and Services Temporary Relief Program). The Concessionaires and Services Temporary Relief Program permits concessionaires and service providers to apply for relief. Key elements of the Concessionaires and Services Temporary Relief Program are as follows:

For the duration period beginning April 1, 2020 to June 30, 2020 (Duration Period):

- LAWA only required payment of the specific percentage fees defined in each concessionaire or service provider agreement instead of the specific minimum annual guarantee (MAG), and, if applicable, deferred receipt of in-terminal concession storage rent.
- In the case of off-airport rental car companies, LAWA only required payment of the lesser of (i) 10% of gross sales, or (ii) the specified license fee.
- Accrued amounts are required to be remitted in six equal monthly installments beginning July 1, 2020, with no late fees or interest charges on amounts paid in full within this six-month payment period.

As of June 30, 2020, the amount of outstanding deferred concessionaires' payments included in accounts receivable was approximately \$3.0 million.

#### Second Relief Program

On October 1, 2020, the Board approved the Second Letter Agreements for the Concessionaire Relief Program that amends concession agreements at LAX as follows:

- abate or adjust the MAG through June 30, 2021 for certain concession agreements (collectively Concession Agreements),
- defer storage rent through December 31, 2020 and allow the payback of deferred storage rent to commence January 1, 2021 for certain concession agreements (collectively In-Terminal Concession Agreements),
- extend the current expiration dates of the respective individual In-Terminal Concession Agreements (as conditioned in the applicable Second Letter Agreements) and Terminal Media Operator Agreement (TMO Agreement) by twenty-four months, and
- authorize the Chief Executive Officer to have two consecutive twelve-month options to delay the required mid-term refurbishment dates for the respective individual In-Terminal Concession Agreements in his or her sole discretion.



## Transmittal Letter (continued)

### COVID-19 Recovery Task Force

In May 2020, the Department created a COVID-19 Recovery Task Force that includes seven work streams to address LAWA's operations and communications during the pandemic. The Recovery Task Force comprises seven work streams, each of which is led by one or more Deputy Executive Director (DED):

- **Bringing Employees Back to Work:** LAWA will be taking a slow and thoughtful approach to bring employees who currently telecommute back to work in order to uphold a healthy and safe working environment.
- **Getting Passengers Back to the Airport:** LAWA wants to ensure passengers are and feel safe when they do decide to travel again. LAWA is evaluating industry best practices and working with stakeholders to develop policies. There are three areas of focus right now in this area: medical screening, airport policies and processes, and touchless travel.
- **Improving Fiscal Position:** LAWA continues to look for ways to cut costs, and look for new and innovative ways to increase revenues.
- **Completing Construction and Repairs Faster:** While new construction and renovation is also being evaluated for budget and operational need, LAWA is looking for ways to take advantage of the lower traffic and passenger numbers to accelerate the construction projects.
- **Setting LAWA up for Success:** LAWA is taking a global look at LAX to evaluate where employees may be able to do things better, or differently, to match LAX's changing physical landscape.
- **Making LAWA Safer:** LAWA is considering practices for both employees and the public for better health and safety. LAWA installed more than 250 additional hand sanitizer stations and approximately 700 plexiglass shields throughout the terminals at LAX. LAWA has increased cleaning frequency of public areas and restrooms and has increased deep cleaning throughout LAX, focusing on 'high touch' areas, such as handrails, escalators, elevator buttons and restroom doors. LAWA is also testing additional measures, such as UVC light units in some restrooms and electrostatic spray units for disinfecting.
- **Engaging and Communicating with Stakeholders:** LAWA has been a model of civic communication to engage our neighbors, communities, and stakeholders on projects and issues that affect them. With the daily changes to the situation, guidance, and health concerns, LAWA's consistent and comprehensive communication and collaboration is key.

### Coronavirus Aid, Relief, and Economic Security Act (CARES Act)

As previously mentioned, on March 27, 2020, the CARES Act was signed into law, which, among other things, allocates funds to eligible airports, provided they take particular steps, including with respect to keeping their workforces intact. Airport operators can use their awarded CARES Act grants to pay for any purpose for which airport revenues can lawfully be used, including, but not limited to, the payment of maintenance and operation expenses on or after January 20, 2020, and the payment of debt service on or after March 27, 2020. CARES Act grants must be used within four years from the date on which the agreement between the airport operator and the FAA is executed, and airport operators using CARES Act grants must comply with certain other obligations, including, but not limited to, employing at least 90.0% of their staff as of March 27, 2020 through December 31, 2020.

LAWA was awarded CARES Act grants in the amount of approximately \$323.6 million for LAX and approximately \$157,000 for VNY, payable on a reimbursement basis. LAWA's primary objective with the CARES Act funding will be to address near-term pressure caused by the COVID-19 pandemic, including maintenance of debt service coverage levels consistent with current ratings levels, mitigation of the reduction in revenues, continued funding of ongoing capital development projects and maintenance of operating cash on hand in fiscal years 2020 and 2021. LAWA has drawn approximately \$52.4 million of CARES Act moneys in fiscal year 2020 to stabilize cost increases in airline rates at LAX, while preserving the majority of the funds, approximately \$271.2 million, for fiscal year 2021. The drawn amount of \$52.4 million was recognized as grants revenue in fiscal year 2020.

### The Airline Industry

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

Due to the discretionary nature of business and personal travel spending, airline passenger traffic and revenues are influenced by the state of the national economy, other regional and world economies, business profitability, security concerns and other factors. Significant structural changes to the airline industry have occurred in recent months and years, including reducing or eliminating service on unprofitable routes due to COVID-19 traffic declines, reducing airline work forces, implementing pay cuts, streamlining operations and airline mergers. Airfares have become easier to compare, which has made pricing and marketing among airlines more competitive. The price of fuel has been a significant cost factor for the airline industry and affects airline earnings. Fuel prices are particularly sensitive to worldwide political instability, economic uncertainties and increased demand from developing economies, production disruption, regulations and weather. Changes in the costs of aviation fuel may have an adverse impact on air transportation industry profitability. Decreased passenger service by a specific airline or a decreased demand for air travel more generally could also adversely affect LAX revenues, which are sensitive to passenger traffic levels.



## Transmittal Letter (continued)

The airline industry continues to evolve as a result of competition and changing demand patterns and it is possible that the airlines serving LAX could further consolidate operations through acquisition, merger, alliances, and code share sales strategies. It is not clear what impact the economic downturn from the COVID-19 pandemic may have on trends towards further airline consolidation. It is possible that some airline bankruptcies may result in further mergers and acquisitions within the industry. A number of airlines and concessionaires (rental car companies) that served or are currently serving LAX have filed for bankruptcy protection in the past and may do so in the future. As of July 1, 2020, the following are some of the airlines and concessionaires that have sought and are currently under bankruptcy protection: Virgin Australia Holdings Ltd.; Avianca Holdings S.A.; Advantage Holdco Inc. (Advantage Rent a Car); LATAM Airlines Group S.A. (LAN Airlines S.A.); Hertz Corporation; Thrifty Rent-A-Car System LLC; Dollar Rent-A-Car, Inc.; Dollar Thrifty Automotive Group Inc.; Firefly Rent-A-Car LLC; and Grupo Aeromexico, S.A.B. de C.V.

## Initiatives and Developments

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

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

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

LAWA is currently undertaking a \$12.3 billion capital program at LAX. Approximately \$1.4 billion of the projects included in the Capital Program were completed through the end of fiscal year 2019, and another approximately \$437.0 million were completed in fiscal year 2020. Approximately \$10.5 billion of projects in the Capital Program are ongoing or are expected to be started and completed by the end of Fiscal Year 2025. Contractors and development counterparties may make COVID-19 related claims, including possibly for additional compensation or schedule relief, in connection with individual projects that are part of the Capital Program. While some projects may be able to proceed with less interference to scheduling due to the reduced traffic at LAX, other COVID-19-related items, such as social distancing measures and other job safety protocols may interfere with sequencing on projects. LAWA cannot predict the timing or scope of any such claims or the impact to the timing or cost of its ongoing projects as a result of COVID-19.

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

### Landside Access Modernization Program (LAMP)

To continue the extensive upgrading and modernization of LAX and to address increasing levels of traffic congestion at and around LAX, LAWA is redeveloping the ground access system to LAX. As part of the overall modernization of LAX, LAWA is implementing components of the LAMP to, among other things, improve access options and the travel experience for passengers; shift the location where different modes of traffic operate within the Central Terminal Area (CTA) and on the surrounding street network; and provide direct connections to the rail and transit systems of the Los Angeles County Metropolitan Transportation Authority (Metro). By implementing LAMP, LAWA seeks to provide more travel time certainty, reduce traffic congestion and improve air quality in and around LAX. LAMP includes several individual components, including, among others, the Automated People Mover System, Intermodal Transportation Facilities (ITF), the Consolidated Rental Car Facility (ConRAC), pedestrian walkway connections to the passenger terminals within the CTA, and roadway improvements.

### The Automated People Mover System (APM)

On April 11, 2018, the Department and LAX Integrated Express Solutions, LLC (APM Developer) entered into a design-build-finance-operate-maintain agreement (APM Agreement) for the purposes of developing, financing, operating and maintaining an approximately 2.25 miles elevated, grade-separated automated people mover (APM) system at LAX that will generally run from the new ConRAC described below and 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 has commenced. 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.

In addition to the financing required to be obtained by the APM Developer, 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. The APM Agreement further provides that once passenger service is available on the APM system (APM Date of Beneficial Operation), which LAWA estimates will occur during Fiscal Year 2023, LAWA must make monthly payments to the APM Developer to compensate the APM Developer for its share of the costs of designing, building and financing the APM System (APM Capital Availability Payments) and for the cost of operating and maintaining the APM System (APM Operations and Maintenance Payments).

### The 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 (ConRAC Agreement). Under the ConRAC Agreement, subject to certain limitations, LAWA granted to the ConRAC Developer the exclusive right, during a term, to design, build, finance, operate and maintain the ConRAC. Construction of the ConRAC has commenced. The ConRAC Developer has indicated that it expects to incur costs for the planning, development, design, construction and financing of the ConRAC of approximately \$1.0 billion. Under the terms of the ConRAC Agreement, the ConRAC Developer is solely responsible for obtaining and repaying, at its own cost and risk and without



## Transmittal Letter (continued)

recourse to the City or LAWA, all financing necessary for its share of the costs of the design and construction of the ConRAC.

The ConRAC Agreement provides that, subject to certain conditions, the ConRAC Developer is entitled to receive a series of progress and milestone payments from LAWA upon its completion of certain design and construction milestones in the aggregate amount of approximately \$730.3 million, subject to deductions provided in the ConRAC Agreement, as partial compensation for the ConRAC Developer's performance of the work required to design and construct the ConRAC (ConRAC Milestone/Progress Payment). Subject to certain conditions, the ConRAC Agreement provides for LAWA to make ConRAC Milestone/Progress Payments to the ConRAC Developer beginning in fiscal year 2020 through and including fiscal year 2024. The ConRAC Agreement further provides that commencing on the ConRAC Date of Beneficial Occupancy (expected in early 2023 concurrent with APM Date of Beneficial Occupancy) 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) and for the cost of operating and maintaining the ConRAC (ConRAC Operations and Maintenance Availability Payments).

### Terminals Related Projects

#### **Midfield Satellite Concourse (MSC) and Apron - North Project**

This project consists of the development of a new 15-gate, 1.0 million square-foot concourse west of the Tom Bradley International Terminal (TBIT)/Bradley West terminal complex that would serve domestic and international airline operations, and associated apron improvements. This project is estimated to cost \$1.7 billion (\$1.5 billion for terminal development and \$0.2 billion for apron development). This project is expected to be completed in fiscal year 2021.

#### **North Terminal Improvement Program**

This project includes the complete renovation of Terminal 3, renovations to Terminal 2, a secure connector to the north side of TBIT, infrastructure improvements supporting the planned APM System, and various enabling projects. Delta Air Lines is providing construction funding and undertaking these improvements, which are to be purchased by LAWA in phases when the portions of the project are complete and have been included in the annual calculation of the terminal buildings rate. This project is estimated to cost \$1.8 billion and is expected to be completed by fiscal year 2023.

#### **Terminal 4 - American Airlines**

This project includes the construction of a connector between Terminal 4 and Terminal 5 that would connect to the new APM System. This project is estimated to cost approximately \$760.8 million and is expected to be completed by fiscal year 2025.

#### **Terminal 6 Project - Alaska Airlines**

This project includes the modernization of Terminal 6 by increasing the amount of holdroom space, enhancing the security screening checkpoint, installing new passenger loading bridges, and certain other operational improvements. Under a letter of intent with LAWA, Alaska Airlines would be providing construction funding and undertaking these improvements, which would be purchased by LAWA in phases when portions of the project are complete and have been included in the annual calculation of the terminal buildings rate. This project is estimated to cost approximately \$198.4 million and is expected to be completed by fiscal year 2025.

#### **Terminal 1.5**

This project consists of the development of a new terminal building between Terminal 1 and Terminal 2 that will link the two terminals directly, resulting in a single unified facility. Southwest Airlines is providing construction funding and undertaking these improvements, which are to be acquired by LAWA in phases when portions of the project are complete and are included in the annual calculation of the terminal buildings rate. This project is estimated to cost \$496.5 million and is expected to be completed in fiscal year 2021.

#### **Baggage System Enhancements**

This project includes construction of outbound baggage systems supporting the combined operations of both the TBIT and the Midfield Satellite Concourse - North Project. The project includes construction of baggage conveyance systems, explosives trace detection workstations, an on-screen resolution control room, and installation/integration of explosives detection system machines to be provided by the TSA. This project is currently estimated to cost \$263.8 million and is expected to be completed in fiscal year 2021.

#### **TBIT Core & APM Interface**

This project will provide vertical circulation elements in TBIT to accommodate passenger circulation and connections to the APM System. This project is estimated to cost \$268.6 million and is expected to be completed by fiscal year 2022.

#### **Terminal 5 Core & APM Interface**

This project will provide vertical circulation elements in Terminal 5 to accommodate passenger circulation and connections to the APM System. This project is estimated to cost \$219.1 million and is expected to be completed by fiscal year 2022.

#### **Other Terminal Projects**

This project consists of CTA departure and arrival level security bollards, closed circuit television improvements, TBIT automated security lanes, and other miscellaneous terminal improvements. These projects are estimated at approximately \$156.9 million and are expected to be completed by fiscal year 2025.

### Airfield and Apron Related Projects

#### **Taxiway C14 Construction**

This project includes the construction of a new 3,600-foot long by 82-foot wide north-south crossfield taxiway that will provide unimpeded access between the north and south airfields. This project is estimated to cost \$119.2 million and is expected to be completed by fiscal year 2021.



## Transmittal Letter (continued)

### Other Airfield and Apron Projects

This project consists of Taxiway T improvements, Runway 7R-25L reconstruction, storm water improvements, a new fire drill training facility, and other miscellaneous airfield improvements. These improvements are estimated to cost \$160.3 million and are expected to be completed before fiscal year 2026.

### Other Projects

#### Noise Mitigation and Soundproofing

This project consists of the soundproofing of residences located near LAX that are significantly affected by aircraft noise. Also, LAWA is currently implementing a voluntary program of acquisition of residences located in the Manchester Square and Belford areas that are affected by aircraft noise. This project is estimated to cost \$285.3 million and is expected to be completed by fiscal year 2026.

#### Police Station and Facilities

This project includes the construction of a central Airport police facility just north of the airfield area, allowing the Airport police department to consolidate certain functions that are now distributed across multiple facilities. This project is estimated to cost approximately \$232.3 million and to be completed by fiscal year 2021.

#### Power Distribution Facility

This project replaces existing facilities and provides more reliable power transmission and greater capacity to support planned growth in LAX. This project is estimated to cost approximately \$150.0 million and to be completed by fiscal year 2023.

#### Others

These projects include a range of infrastructure, utility, information technology, and other projects estimated to cost \$287.0 million and are expected to be completed by fiscal year 2026.

## Outlook for the Future

LAWA's operations are supported solely by revenues generated by the department. 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 in order to achieve the levels of net revenues outlined in financial forecasts provided to investors sufficient to cover obligations for debt service and fund planned capital expenditures.

The fiscal year 2021 budget is based on a conservative forecast of operating revenues and reduced operating expenses that reflect management's expectation of the LAX passenger traffic decline of approximately 50% from fiscal year 2020 level due to COVID-19 impact on air travel, down approximately 65% from fiscal year 2019 levels. These projections of revenues and expenses do not include the impact of CARES Act grant funding that may be used to reimburse eligible operating expenses and debt service in fiscal year 2021. LAWA estimates that between \$160 to \$274 million of CARES Act funds will be available to mitigate the risk of traffic and revenue declines. The fiscal year 2021 budget allows LAWA to achieve targeted key financial metrics and meets all LAX bond indenture covenants.

The fiscal year 2021 LAX operating budget projects operating revenues of approximately \$1.3 billion, approximately 18.8% lower than projected in the fiscal year 2020 LAX operating budget. LAWA projects LAX aviation revenues of approximately \$1.1 billion, approximately the same as that forecast in the fiscal year 2020 LAX operating budget. As a significant portion of LAX aviation revenues are derived through cost recovery formulas used in calculation of airfield and terminal rates and charges, LAWA projects little change in LAX aviation revenues. The fiscal year 2021 LAX operating budget projects non-aviation operating revenues of approximately \$207.8 million, approximately 60.4% lower than forecast in the fiscal year 2020 LAX operating budget, as decreased levels of passenger traffic contribute to lower terminal concession and ground transportation revenues as a result of COVID-19. The fiscal year 2021 LAX operating budget projects operating expenses of approximately \$784.6 million, approximately 12.9% lower than the fiscal year 2020 LAX operating budget. The fiscal year 2021 LAX operating budget does not include appropriations for the capital program or other capital improvement projects. LAWA management will be required to seek approval from the Board for appropriations of funds for certain projects on a project-by-project basis. Under the fiscal year 2021 LAX operating budget, LAWA has budgeted approximately \$466.0 million for salaries, benefits and other payroll expenses for LAWA's employees at LAX (representing a decrease of approximately 6.7% from the fiscal year 2020 LAX operating budget) and approximately \$67.3 million for payments to the City for fire service, supplemental police assistance and other support services and personnel costs at LAX. Amounts budgeted for these expenses represent approximately 67.8% of the LAX operating budget for fiscal year 2021. Personnel decreases are due to a hiring freeze, overtime freeze, attrition and the Separation Incentive Program (SIP)<sup>1</sup>. Contractual services, including payments for services provided by the City, are budgeted in the fiscal year 2021 LAX operating budget at approximately \$203.4 million (representing a decrease of approximately 23.1% from the fiscal year 2020 LAX operating budget).

The fiscal year 2021 budgeted personnel expenses associated with salaries/overtime, and pension contributions are projected to decrease by \$25.1 million, or 7.4% and \$6.7 million, or 6.8%, respectively, compared to fiscal year 2020. The proposed budget assumes the City's announced furlough program and a reduction of 494 employees in LAWA's fiscal year 2020 budgeted headcount to approximately 3,269

<sup>1</sup> SIP offers eligible staff members the opportunity to retire from City service. A total of 333 employees have chosen to participate in the program to voluntarily terminate their employment with LAWA, with SIP departures beginning on June 6, 2020.



## Transmittal Letter (continued)

positions which include full-time and part-time positions. The reduced headcount is a result of the hiring freeze implemented in March of 2020, the plan to manage headcount, and positions vacated due to the SIP. Any employment terminations through the SIP fall within CARES Act guidelines and are not expected to be counted as a termination for CARES Act compliance matters. The actual impact of the COVID-19 pandemic on air travel through LAX and LAWA's budget and finances will heavily depend on future events outside of the control of LAWA. As a result of these uncertainties, LAWA will regularly review fiscal year 2021 revenue projections and make adjustment throughout fiscal year 2021.

### Internal Control Framework

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

### Budgetary Control

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

### Independent Audit

Moss Adams LLP (Moss Adams), a firm of independent certified public accountants, audited LAWA's financial statements. Moss Adams concluded, based upon its audit, that there was a reasonable basis for rendering an unmodified opinion that LAWA's financial statements as of and for the fiscal years ended June 30, 2020 and 2019, were fairly presented in conformity with GAAP. Moss Adams' report is on pages 1 and 2.

Moss Adams conducted an additional audit to determine LAWA's compliance with the requirements described in the Passenger Facility Charge Audit Guide for Public Agencies and concluded that LAWA complied in all material respects with the requirements applicable to and that could have a material effect on its passenger facility charge program for the fiscal year ended June 30, 2020. Moss Adams' report is on pages 167 and 168.

Moss Adams also conducted a third audit to determine LAWA's compliance with the requirements described in the California Civil Code Section 1939, as amended by Assembly Bill 2051, and concluded that LAWA complied in all material respects with the requirements applicable to and that could have a material effect on its customer facility charge program for the fiscal year ended June 30, 2020. Moss Adams' report is on pages 173 and 174.

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

### Award

Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to LAWA for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2019. This was the ninth consecutive year that LAWA has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

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

### Acknowledgement

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

Respectfully submitted,



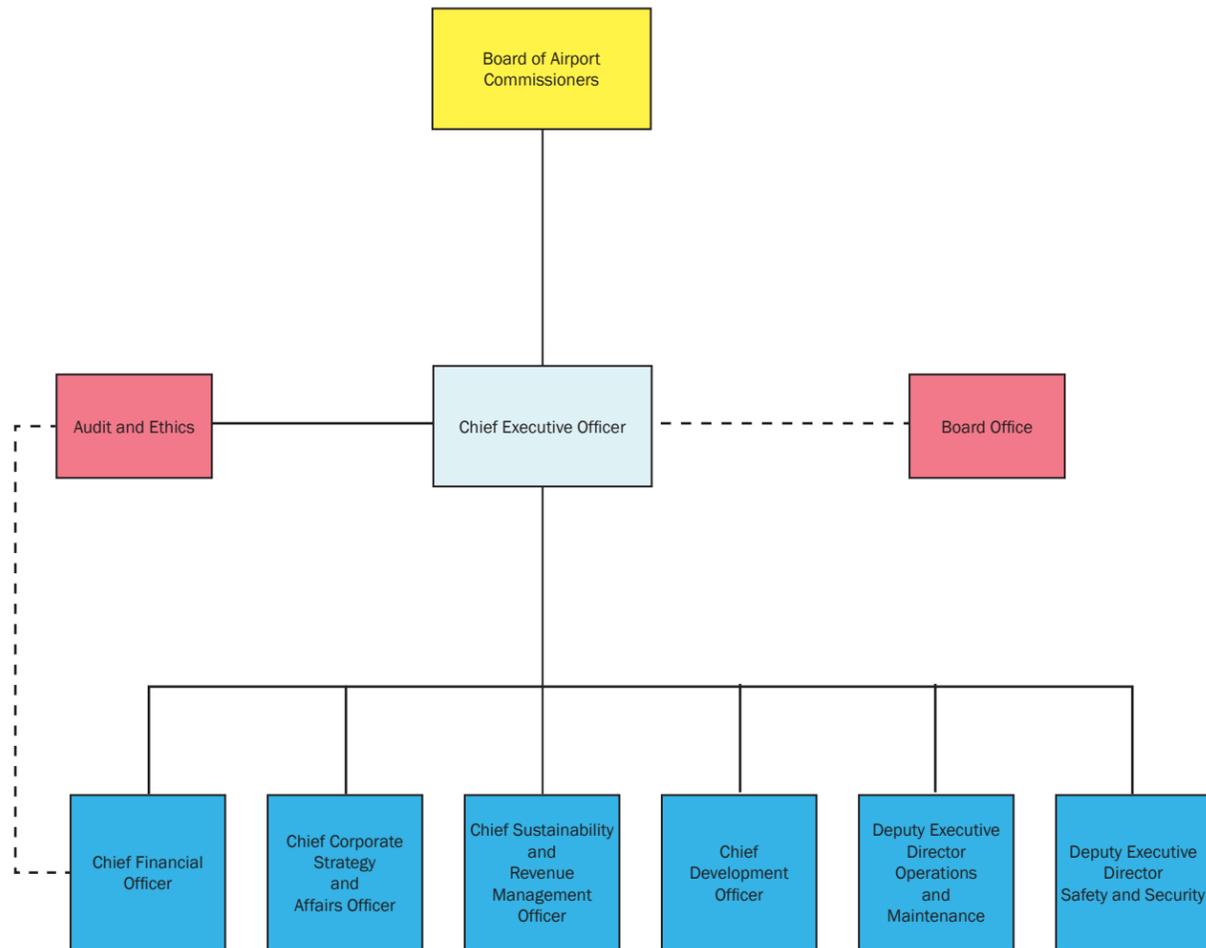
Justin Erbacci  
Chief Executive Officer



Tatiana Starostina  
Chief Financial Officer



Organization Chart



Board of Airport Commissioners, Elected City Officials, and Los Angeles World Airports Executive Staff



Sean O. Burton, President; Valeria C. Velasco, Vice President; Gabriel L. Eshaghian, Commissioner; Cynthia A. Telles, Commissioner; Beatrice C. Hsu, Commissioner; Nicholas Roxborough, Commissioner; Karim Webb, Commissioner



Justin Erbacci, Chief Executive Officer

**CITY OF LOS ANGELES ELECTED OFFICIALS**

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

**CITY COUNCIL**

Nury Martinez, President, District 6  
 Joe Buscaino, President Pro Tempore, District 15  
 David E. Ryu, Assistant President Pro Tempore, District 4

Gilbert A. Cedillo, District 1	Monica Rodriguez, District 7	Mike Bonin, District 11
Paul Krekorian, District 2	Marqueece Harris-Dawson, District 8	John Lee, District 12
Bob Blumenfield, District 3	Curren D. Price, Jr., District 9	Mitch O'Farrell, District 13
Paul Koretz, District 5	Herb J. Wesson, Jr., District 10	Kevin De Leon, District 14

**LOS ANGELES WORLD AIRPORTS EXECUTIVE STAFF**

Justin Erbacci, Chief Executive Officer  
 Tatiana Starostina, Chief Financial Officer  
 Michelle Schwartz, Chief Corporate Strategy and Affairs Officer  
 Samantha Bricker, Chief Sustainability and Revenue Management Officer  
 Bernardo Gogna, Chief Development Officer  
 Michael Christensen, Deputy Executive Director, Operations and Maintenance  
 David Maggard, Deputy Executive Director, Safety and Security  
 Jacob Adams, Deputy Executive Director, LAMP Executive  
 Becca Doten, Deputy Executive Director, Public and Government Affairs  
 Robert Falcon, Deputy Executive Director, Planning and Development  
 Aura Moore, Deputy Executive Director, Chief Information Officer  
 Hans Thilenius, Deputy Executive Director, Terminal Development and Improvement Program  
 Jeffrey Utterback, Deputy Executive Director, Commercial Development  
 Raymond Ilgunas, General Counsel





Government Finance Officers Association

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## Los Angeles World Airports California

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

### June 30, 2019

Executive Director/CEO



# Financial Section

2020 Comprehensive Annual Financial Report  
Los Angeles World Airports



# Financial Section

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



## Report of Independent Auditors

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

### Report on the Financial Statements

We have audited the accompanying financial statements of Los Angeles World Airports (Department of Airports of the City of Los Angeles, California) ("LAWA"), an Enterprise Fund of the City of Los Angeles ("City"), which comprise the statement of net position as of June 30, 2020 and 2019, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of LAWA as of June 30, 2020 and 2019, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Emphasis of Matters

#### Basis of Presentation

As discussed in Note 1, the financial statements of LAWA are intended to present the net position, the changes in net position, and cash flows of only that portion of the business-type activities and each major fund of the City that is attributable to the transactions of LAWA. They do not purport to, and do not, present fairly the net position of the City as of June 30, 2020 and 2019, the changes in City' net position, or, where applicable, City's cash flows for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.



**Other Matters***Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 to 37, the schedule of LAWA's proportionate share of the net pension liability on page 113, the schedule of contributions – pension on pages 114 to 115, the schedule of LAWA's proportionate share of the net other postemployment benefit (OPEB) liability on page 116, and the schedule of contributions – OPEB on pages 117 to 118 be presented to supplement the financial statements. Such information, although not part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audits of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying introductory section, supplemental information, statistical section, and compliance section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The accompanying combining schedule of net position and combining schedule of revenues, expenses and changes in net position on pages 122 to 127 (collectively the "supplemental information") is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The accompanying introductory section on pages i to xviii and statistical section on pages 131 to 164 have not been subjected to the auditing procedures applied in the audits of the financial statements and accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2020, on our consideration of LAWA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of LAWA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LAWA's internal control over financial reporting and compliance.



Los Angeles, California  
October 28, 2020



# Management's Discussion and Analysis (Unaudited)

2020 Comprehensive Annual Financial Report  
Los Angeles World Airports



# Management's Discussion and Analysis (Unaudited)



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

### Management's Discussion and Analysis (Unaudited) June 30, 2020 and 2019

Los Angeles World Airports (LAWA) is an independent, financially self-sufficient department of the City of Los Angeles, California (City). LAWA is an enterprise fund that owns and operates Los Angeles International Airport (LAX) and Van Nuys Airport (VNY). LAWA also owns approximately 17,750 acres of land located east of United States Air Force (USAF) Plant 42 in the City of Palmdale, and retains the rights for future development of the Palmdale property. The management of LAWA presents the following narrative overview of LAWA's financial activities for the fiscal years ended June 30, 2020 and 2019. This discussion and analysis should be read in conjunction with LAWA's financial statements that begin on page 41.

#### Using This Financial Report

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

The *Statements of Net Position* present information on all of LAWA's assets, deferred outflows of resources, liabilities, and deferred inflows of resources at June 30, 2020 and 2019. The difference between (a) assets and deferred outflows of resources, and (b) liabilities and deferred inflows of resources was reported as net position. Over time, increases and decreases in net position may serve as a useful indicator about whether LAWA's financial condition is improving or deteriorating.

The *Statements of Revenues, Expenses and Changes in Net Position* present the results of LAWA's operations and information showing the changes in net position for the fiscal years ended June 30, 2020 and 2019. These statements can, among other things, be useful indicators of how LAWA recovered its costs through rates and charges. All changes in net position were reported when the underlying events occurred, regardless of the timing of the related cash flows. Thus, revenues and expenses were recorded and reported in these statements for some items that will result in cash flows in future periods.

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

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



**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2020 and 2019**  
 (continued)

**Passenger and Other Traffic Activity Highlights**

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

**Los Angeles International Airport**

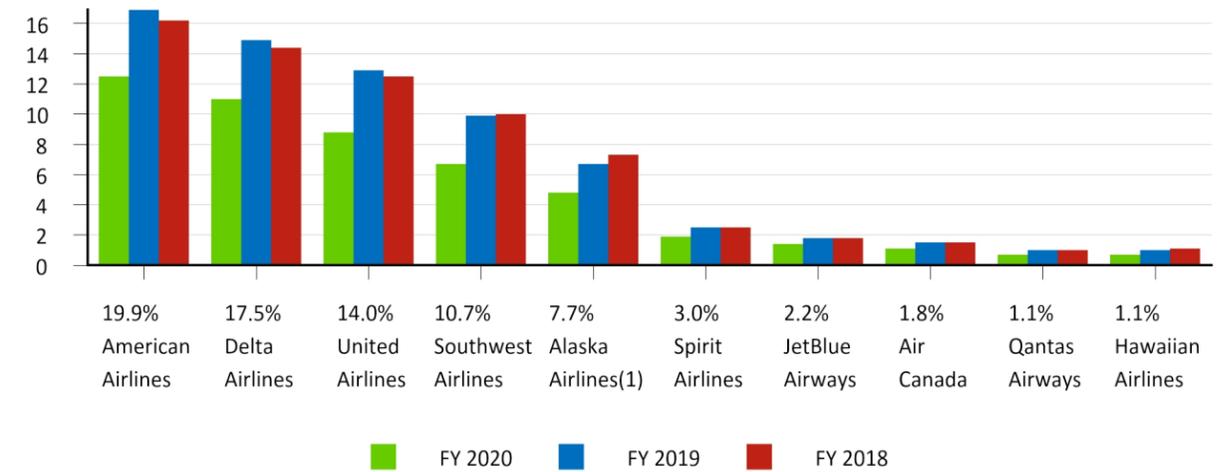
	FY 2020	FY 2019	FY 2018	% Change	
				FY 2020	FY 2019
Total passengers	62,715,070	87,905,468	86,633,058	-28.7%	1.5%
Domestic passengers	44,801,765	61,983,392	60,903,699	-27.7%	1.8%
International passengers	17,913,305	25,922,076	25,729,359	-30.9%	0.7%
Departing passengers	31,429,457	44,207,464	43,553,015	-28.9%	1.5%
Arriving passengers	31,285,613	43,698,004	43,080,043	-28.4%	1.4%
Passenger flight operations					
Departures	245,003	316,179	319,677	-22.5%	-1.1%
Arrivals	244,825	315,939	319,359	-22.5%	-1.1%
Landing weight (thousand lbs)	53,270,947	64,746,783	64,226,608	-17.7%	0.8%
Air cargo (tons)					
Mail	134,515	117,094	112,391	14.9%	4.2%
Freight	2,150,930	2,284,337	2,303,477	-5.8%	-0.8%

*Note: Prior years' data may change because of updated available information, however, in order to remain comparable and consistent with the published data, the passenger and other traffic numbers for prior fiscal years are not changed.*

**Passenger Traffic**

The following charts present the top ten airlines at LAX, by number of passengers, for fiscal year 2020 and the comparative passengers for fiscal years 2019 and 2018.

**FY 2020 Top Ten Carriers and FY 2020 Percentage of Market Share (passengers in millions)**



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



## Management's Discussion and Analysis (Unaudited)

### June 30, 2020 and 2019

(continued)

#### Passenger Traffic, Fiscal Year 2020

Passenger traffic at LAX decreased by 28.7% in fiscal year 2020 as compared to fiscal year 2019. Of the 62.7 million passengers that moved in and out of LAX, domestic passengers accounted for 71.4%, while international passengers accounted for 28.6%. American Airlines ferried the largest number of passengers at 12.5 million with a 26.0% decrease in passenger traffic. Delta Airlines, ranked second with 11.0 million passengers posted a 26.2% decrease in passenger traffic. United Airlines, ranked third with 8.8 million passengers posted a 31.8% decrease in passenger traffic. Southwest Airlines (6.7 million) and Alaska Airlines (4.8 million) complete the top five air carriers operating at LAX. Air Canada was the top foreign flag carrier with 1.1 million passengers and was ranked eighth overall.

The downturn in passenger traffic was mainly caused by the outbreak of COVID-19, a respiratory disease which was first reported in December 2019. The COVID-19 pandemic has resulted in a number of governmental actions, including travel restrictions and warnings domestically and internationally by the United States State Department and the Centers for Disease Control and Prevention (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.

#### Passenger Traffic, Fiscal Year 2019

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

#### Passenger Flight Operations, Fiscal Year 2020

Departures and arrivals at LAX decreased by 142,290 flights or 22.5% during fiscal year 2020 when compared to fiscal year 2019. Revenue landing pounds were down 17.7%. The top three carriers in terms of landing pounds were American Airlines, Delta Airlines, and United Airlines. In total, these three airlines contributed 39.8% of the total revenue pounds at LAX.

#### Passenger Flight Operations, Fiscal Year 2019

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



## Management's Discussion and Analysis (Unaudited)

### June 30, 2020 and 2019

(continued)

#### Air Cargo (tons), Fiscal Year 2020

Freight and mail cargo at LAX decreased by 4.8% in fiscal year 2020 as compared to fiscal year 2019. Freight was down by 133,407 tons, and mail was up by 17,421 tons. Domestic cargo was down by 48,853 tons or 5.4% and international cargo was down by 67,133 tons or 4.5%. Federal Express was the top air freight carrier accounting for 15.9% of total freight cargo, followed by Kalitta Air LLC with 5.1%. Kalitta Air LLC was the top mail carrier accounting for 45.1% of total mail cargo.

#### Air Cargo (tons), Fiscal Year 2019

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

## Overview of LAWA's Financial Statements

### Financial Highlights, Fiscal Year 2020

- LAWA's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$5.9 billion.
- Bonded debt had a net increase of \$261.8 million.
- Operating revenue totaled \$1.4 billion.
- Operating expenses (including depreciation and amortization of \$450.6 million) totaled \$1.4 billion.
- Net nonoperating expenses totaled \$6.3 million.
- Federal and other government capital grants totaled \$105.3 million (including CARES Act grant of \$52.4 million).
- Net position increased by \$103.9 million.



## Management's Discussion and Analysis (Unaudited)

### June 30, 2020 and 2019

(continued)

#### Financial Highlights, Fiscal Year 2019

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

#### Net Position Summary

A condensed summary of LAWA's net position for fiscal years as of June 30, 2020, 2019, and 2018 is presented below:

#### Condensed Net Position (amounts in thousands)

	FY 2020	FY 2019	FY 2018	FY 2020 increase (decrease)	FY 2019 increase (decrease)
<b>Assets</b>					
Unrestricted current assets	\$ 1,193,100	\$ 1,030,971	\$ 968,009	\$ 162,129	\$ 62,962
Restricted current assets	2,110,238	2,997,978	1,951,670	(887,740)	1,046,308
Capital assets, net	12,265,872	10,962,688	9,805,839	1,303,184	1,156,849
Other noncurrent assets	21,204	28,250	36,217	(7,046)	(7,967)
<b>Total assets</b>	<b>15,590,414</b>	<b>15,019,887</b>	<b>12,761,735</b>	<b>570,527</b>	<b>2,258,152</b>
<b>Deferred outflows of resources</b>					
Loss on debt refundings	35,732	37,806	40,308	(2,074)	(2,502)
Pension and OPEB	184,318	214,677	162,101	(30,359)	52,576
<b>Total deferred outflows of resources</b>	<b>220,050</b>	<b>252,483</b>	<b>202,409</b>	<b>(32,433)</b>	<b>50,074</b>
<b>Liabilities</b>					
Current liabilities payable from unrestricted assets	584,902	449,446	403,306	135,456	46,140
Current liabilities payable from restricted assets	209,435	212,876	188,816	(3,441)	24,060
Noncurrent liabilities	8,108,249	7,830,201	6,093,851	278,048	1,736,350
Net pension liability	821,564	786,765	723,062	34,799	63,703
Net OPEB liability	69,609	79,037	77,566	(9,428)	1,471
<b>Total liabilities</b>	<b>9,793,759</b>	<b>9,358,325</b>	<b>7,486,601</b>	<b>435,434</b>	<b>1,871,724</b>
<b>Deferred inflows of resources</b>					
Gain on debt refundings	24,271	3,681	—	20,590	3,681
Pension and OPEB	68,709	90,554	91,616	(21,845)	(1,062)
<b>Total deferred inflows of resources</b>	<b>92,980</b>	<b>94,235</b>	<b>91,616</b>	<b>(1,255)</b>	<b>2,619</b>
<b>Net Position</b>					
Net investment in capital assets	5,119,799	4,945,969	4,706,733	173,830	239,236
Restricted for capital projects	788,862	814,098	672,951	(25,236)	141,147
Restricted for operation & maintenance reserve	240,776	221,137	210,207	19,639	10,930
Restricted for federal forfeited property & protested funds	1,978	1,526	1,336	452	190
Unrestricted	(227,690)	(162,920)	(205,300)	(64,770)	42,380
<b>Total net position</b>	<b>\$ 5,923,725</b>	<b>\$ 5,819,810</b>	<b>\$ 5,385,927</b>	<b>\$ 103,915</b>	<b>\$ 433,883</b>



## Management's Discussion and Analysis (Unaudited)

### June 30, 2020 and 2019

(continued)

#### Net Position, Fiscal Year 2020

As noted earlier, net position may serve as a useful indicator of LAWA's financial condition. At the close of fiscal years 2020 and 2019, LAWA's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$5.9 billion and \$5.8 billion, respectively, representing an increase of 1.8% or \$103.9 million.

The largest portion of LAWA's net position (\$5.1 billion or 86.4%) reflects its investment in capital assets (e.g. land, air easements, buildings, improvements, equipment and vehicles) less accumulated depreciation and any related outstanding debt used to acquire those assets. An additional portion of LAWA's net position (\$1.0 billion or 17.4%) represents resources that are subject to various restrictions on how they may be used. Unrestricted net position decreased by \$64.8 million from \$(162.9) million in fiscal year 2019 to \$(227.7) million in fiscal year 2020.

Unrestricted current assets increased by \$162.1 million or 15.7%, from \$1.0 billion at June 30, 2019 to \$1.2 billion at June 30, 2020. The increase was primarily driven by an increase in cash and pooled investments held in City Treasury of \$64.9 million or 7.0%, an increase in accounts receivable balance of \$97.0 million or 1,971.7%, and an increase in grants receivable of \$57.2 million or 287.3%, offset by a decrease in unbilled receivables of \$50.5 million or 99.6% in fiscal year 2020.

Unrestricted current assets consist primarily of cash and pooled investments (including reinvested cash collateral in 2020) 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 \$64.9 million was due to higher cash inflows than outflows in fiscal year 2020. The increase in accounts receivable of \$97.0 million at June 30, 2020 was a result of LAWA's mitigation measures in response to COVID-19. Unbilled receivables, which represented the year-end accrual for unbilled revenue, was reduced accordingly as such accrual activities were minimal at June 30, 2020 due to LAWA's mitigation measures in response to COVID-19.

On April 9, 2020, the Board adopted a temporary terminal and airfield fee relief program with respect to passenger airlines serving LAX (Passenger Airline Temporary Relief Program). The Passenger Airline Temporary Relief Program permits eligible passenger air carriers subject to a terminal lease or the Airport Terminal Tariff to apply for relief. Key elements of the Passenger Airline Temporary Relief Program are as follows:

- Deferral of terminal and airfield fees payable from April through May 2020.
- All airlines were required to start repayment of any deferred amounts on July 1, 2020. For airlines that were a party to an Amended and Restated Rate Agreement by July 31, 2020, repayment of the deferred amounts will be required to be made over a six-month period, starting July 1, 2020 to be paid in equal monthly installments, and for airlines that were not party to an Amended and Restated Rate Agreement by July 31, 2020, the remaining deferred amounts must be fully repaid on or before August 1, 2020.
- On June 18, 2020, the Board approved keeping landing fees and apron fees unchanged through calendar year 2020.

As of June 30, 2020, the amount of deferred airline rents and fees included in accounts receivable was approximately \$93.0 million.

On April 16, 2020, the Board adopted a fee relief program for LAX concessionaires and service providers at LAX (Concessionaires and Services Temporary Relief Program). The Concessionaires and Services Temporary Relief Program permits concessionaires and service providers to apply for relief. Key elements of the Concessionaires and Services Temporary Relief Program are as follows:

For the duration period beginning April 1, 2020 to June 30, 2020 (Duration Period):

- LAWA only required payment of the specific percentage fees defined in each concessionaire or service provider agreement instead of the specific minimum annual guarantee (MAG), and, if applicable, deferred receipt of in-terminal concession storage rent.
- In the case of off-airport rental car companies, LAWA only required payment of the lesser of (i) 10% of gross sales, or (ii) the specified license fee.
- Accrued amounts are required to be remitted in six equal monthly installments beginning July 1, 2020, with no late fees or interest charges on amounts paid in full within this six-month payment period.

As of June 30, 2020, the amount of outstanding deferred concessionaires' payments included in accounts receivable was approximately \$3.0 million.

The increase in grants receivable of \$57.2 million at June 30, 2020 was primarily a result of the grants awarded under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). On March 27, 2020, the CARES Act was signed into law, which, among other things, allocates funds to eligible airports, provided they take particular steps, including with respect to keeping their workforces intact. LAWA was awarded CARES Act grants in the amount of approximately \$323.6 million for LAX and approximately \$157.0 thousand for VNY, payable on a reimbursement basis. LAWA has drawn approximately \$52.4 million of CARES Act moneys in fiscal year 2020 to stabilize cost increases in airline rates at LAX, while preserving the majority of the funds, approximately \$271.2 million, for fiscal year 2021. The drawn amount of \$52.4 million was recognized as grants revenue in fiscal year 2020.

Restricted current assets include cash and investments (including reinvested cash collateral in 2020) 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 decreased by \$887.7 million or 29.6%, from \$3.0 billion at June 30, 2019 to \$2.1 billion at June 30, 2020. The decrease in year-end investment portfolio held by fiscal agents of \$879.5 million, or 45.5% from \$1.9 billion in fiscal year 2019 to \$1.1 billion in fiscal year 2020 was mainly due to higher unspent bond proceeds in fiscal year 2019 as a result of the issuance of LAX subordinate revenue bond Series 2019 D and E on June 27, 2019.

LAWA's capital assets additions are financed through issuance of revenue bonds, grants from federal agencies, PFCs, CFCs, new airport revenue and existing resources. Interim financing of such acquisition may be provided through the issuance of commercial paper notes. Capital assets, net of depreciation, increased by \$1.3 billion, or 11.9%. Ongoing construction and improvements to modernize LAX terminals and facilities, construction of Midfield Satellite Concourse, and the Landside Access Modernization Program including the construction of Automated People Mover System and Consolidated Rental Car Facility were the primary reasons for the increase.



**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2020 and 2019**  
(continued)

Other noncurrent assets decreased by \$7.0 million or 24.9% primarily due to the shift of the long-term receivable from Ontario International Airport Authority (OIAA) to current assets. Based on the Ontario International Airport (ONT) Settlement Agreement in 2016, LAWA is to receive \$70.0 million (before discount for early repayment) from ONT, over a period of approximately 10 years. The total outstanding OIAA receivable balance was approximately \$30.6 million and \$37.6 million as of June 30, 2020 and 2019, respectively.

Current liabilities payable from unrestricted assets increased by \$135.5 million or 30.1%. This was mainly due to an increase of \$147.1 million or 52.1% in contracts and accounts payable, an increase of \$15.7 million or 66.5% in accrued salaries, and an increase of \$12.6 million or 65.9% in other current liabilities; offset by a decrease of \$36.6 million or 36.7% in commercial paper and a decrease of \$3.5 million or 35.2% in obligations under securities lending transactions. The increase in contracts and accounts payable was primarily due to the year-end accruals of capital expenditures for the on-going construction projects. The increase in accrued salaries was primarily due to accruals of \$17.0 million incentive payment for the Separation Incentive Program (SIP)<sup>2</sup> in fiscal year 2020. The increase in other current liabilities was primarily a result of \$9.4 million credit memo issued in fiscal year 2020 as part of America Airlines' tenant acquisition, and an increase in LAWA's share of the City Treasury's year-end pending investment trade of \$2.2 million in fiscal year 2020. The decrease in commercial paper notes was primarily due to refinancing of \$83.4 million from the bond proceeds of the issuance of LAX's subordinate revenue bonds Series 2019F.

Current liabilities payable from restricted assets decreased by \$3.4 million or 1.6%. This was mainly due to a decrease of \$1.7 million or 10.3% in contracts and accounts payable, a decrease of \$2.2 million in current maturities of bonded debt, and a decrease of \$3.8 million or 36.5% in obligations under securities lending transactions; offset by an increase in LAWA's share of the City Treasury's year-end pending investment trade of \$2.3 million in fiscal year 2020 and an increase of \$2.3 million in accrued interest payable.

The increase in noncurrent liabilities was \$303.4 million or 3.5%. This was primarily a result of bond issuances of \$1.2 billion with net change in premium of \$238.6 million, offset by partial refunding of \$983.7 million LAX senior revenue bonds Series 2010A and 2010D, and the recognition of \$141.0 million as current bonded debt in fiscal year 2020. The increase was also attributable to the recognition of additional proportionate share of net pension liability (NPL) of \$34.8 million or 4.4%, offset by the decrease in net OPEB liability (NOL) of 9.4 million or 11.9% in fiscal year 2020.

<sup>2</sup> SIP offers eligible staff members the opportunity to retire from City service. A total of 333 employees have chosen to participate in the program to voluntarily terminate their employment with LAWA, with SIP departures beginning on June 6, 2020. Total estimated incentive payment for LAWA was approximately \$17.7 million.

**Net Position, Fiscal Year 2019**

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

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

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

Restricted current assets include cash and investments (including reinvested cash collateral in 2019) held in the City Treasury for future capital projects funded by PFCs and CFCs. Also included are bond proceeds to be used for capital expenditures as well as bond debt service funds held by fiscal agents. Drawdowns from the amounts held by fiscal agents were used for capital expenditures incurred at LAX and for bond principal and interest payments. Restricted current assets increased by \$1.0 billion or 53.6%, from \$2.0 billion at June 30, 2018 to \$3.0 billion at June 30, 2019. The increase in year-end investment portfolio held by fiscal agents of \$891.8 million, or 85.5% from \$1.0 billion in fiscal year 2018 to \$1.9 billion in fiscal year 2019 was mainly due to unspent bond proceeds as of June 30, 2019.

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

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

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



## Management's Discussion and Analysis (Unaudited)

### June 30, 2020 and 2019

(continued)

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

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

### Changes in Net Position Summary

A condensed summary of LAWA's changes in net position for fiscal years ended June 30, 2020, 2019, and 2018 is presented below.

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

	FY 2020	FY 2019	FY 2018	FY 2020 increase (decrease)	FY 2019 increase (decrease)
Operating revenue	\$ 1,365,494	\$ 1,537,949	\$ 1,446,226	\$ (172,455)	\$ 91,723
Less- Operating expenses	909,985	818,011	815,511	91,974	2,500
Operating income before depreciation and amortization	455,509	719,938	630,715	(264,429)	89,223
Less- Depreciation and amortization	450,606	407,664	365,465	42,942	42,199
Operating income	4,903	312,274	265,250	(307,371)	47,024
Other nonoperating revenue (expenses), net	(6,334)	85,269	73,270	(91,603)	11,999
Federal and other government grants	105,346	36,340	55,897	69,006	(19,557)
Changes in net position	103,915	433,883	394,417	(329,968)	39,466
Net position, beginning of year, as previously reported	5,819,810	5,385,927	5,069,265	433,883	316,662
Change in accounting principle	—	—	(77,755)	—	77,755
Net position, beginning of year, as adjusted	5,819,810	5,385,927	4,991,510	433,883	394,417
Net position, end of year	\$ 5,923,725	\$ 5,819,810	\$ 5,385,927	\$ 103,915	\$ 433,883



**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2020 and 2019**  
(continued)

**Operating Revenue**

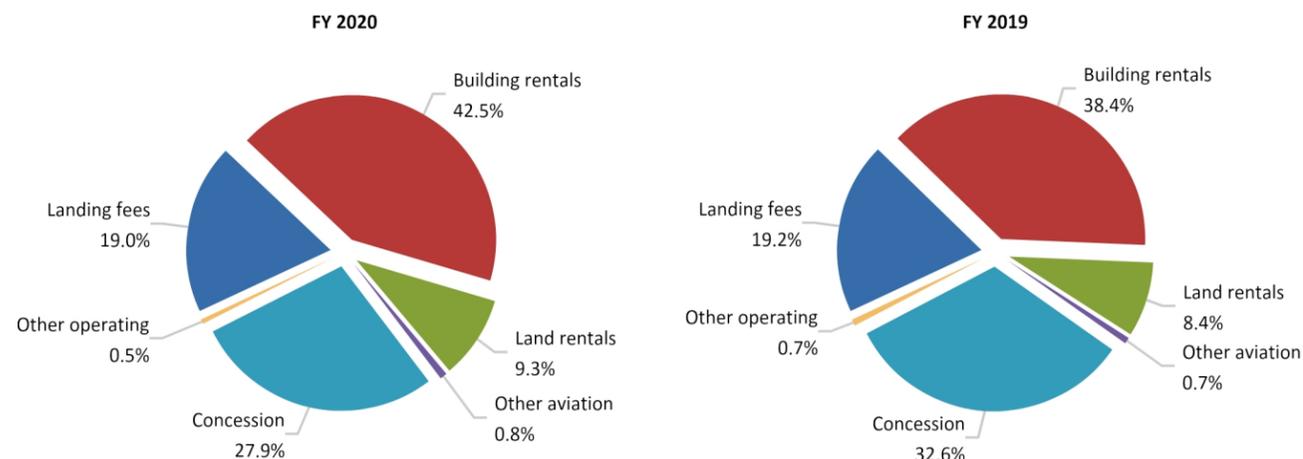
LAWA derives its operating revenue from several major airport business activities. The following table presents a summary of these business activities during fiscal years 2020, 2019, and 2018:

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

	FY 2020	FY 2019	FY 2018	FY 2020 increase (decrease)	FY 2019 increase (decrease)
Aviation revenue					
Landing fees	\$ 259,185	\$ 295,724	\$ 284,686	\$ (36,539)	\$ 11,038
Building rentals	580,192	590,771	536,367	(10,579)	54,404
Land rentals	127,105	129,411	118,937	(2,306)	10,474
Other aviation revenue	10,420	10,534	9,439	(114)	1,095
Total aviation revenue	976,902	1,026,440	949,429	(49,538)	77,011
Concession revenue	380,339	501,179	469,201	(120,840)	31,978
Other operating revenue	8,253	10,330	27,596	(2,077)	(17,266)
Total operating revenue	\$ 1,365,494	\$ 1,537,949	\$ 1,446,226	\$ (172,455)	\$ 91,723

**Operating Revenue, Fiscal Year 2020**

The following chart illustrates the proportion of sources of operating revenue for fiscal years ended June 30, 2020 and 2019.



For the fiscal year ended June 30, 2020, total operating revenue was \$1.4 billion, a decrease of \$172.5 million or 11.2% from the prior fiscal year. Aviation related revenue decreased by \$49.5 million or 4.8%. Non-aviation revenue decreased by \$122.9 million or 24.0%, including decrease in concession of \$120.8 million, or 24.1%, and decrease in other operating revenue of \$2.1 million, or 20.1%. The downturn in total operating revenue was mainly caused by the outbreak of COVID-19. 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.

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 decreased by \$36.5 million or 12.4%, from \$295.7 million in fiscal year 2019 to \$259.2 million in fiscal year 2020. The decrease in landing fees was primarily due to 17.7% reduction in landed weights in fiscal year 2020 as impacted by COVID-19 described above, offset by the increase in actual capital and operating expenses allocable to the landing fee cost centers at LAX.

Building rentals decreased by \$10.6 million or 1.8% from \$590.8 million in fiscal year 2019 to \$580.2 million in fiscal year 2020. The decrease in building rentals was primarily attributable to decreases in terminal use fees of \$32.3 million or 27.6% as a result of the drop in passenger traffic as impacted by COVID-19 in fiscal year 2020, and reduction in common use activity, offset by the increased costs of \$21.7 million or 4.6% primarily attributable to the increased costs in improvements and refurbishments in the terminals recovered under the Terminal Rate Agreement.

Land rental revenue decreased by \$2.3 million or 1.8% from \$129.4 million in fiscal year 2019 to \$127.1 million in fiscal year 2020. The decrease in land rental revenue was primarily due to an overall decrease in leased areas due to lease terminations, including the leases that were terminated in order to accommodate LAX-it (the opening of the auxiliary curb for taxis and rideshare), LAMP and other projects in fiscal year 2020.

Total revenue from concessions was \$380.3 million in fiscal year 2020, a 24.1% reduction from \$501.2 million in fiscal year 2019. 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 at LAX in fiscal year 2020 had a net decrease of \$59.7 million or 26.1% as compared to fiscal year 2019. Duty free revenues decreased by \$29.2 million or 34.4%; commercial management concession revenue<sup>3</sup> decreased by \$23.6 million or 25.8%; other in-terminal revenue decreased by \$3.1 million or 15.0%; and advertising revenue decreased by \$3.8 million or 12.0%. The decreases in concession revenue were due to a waiver

<sup>3</sup> Commercial Management Concession revenue includes total revenue from food and beverage concessionaires, gifts and news and commercial management concessionaires.

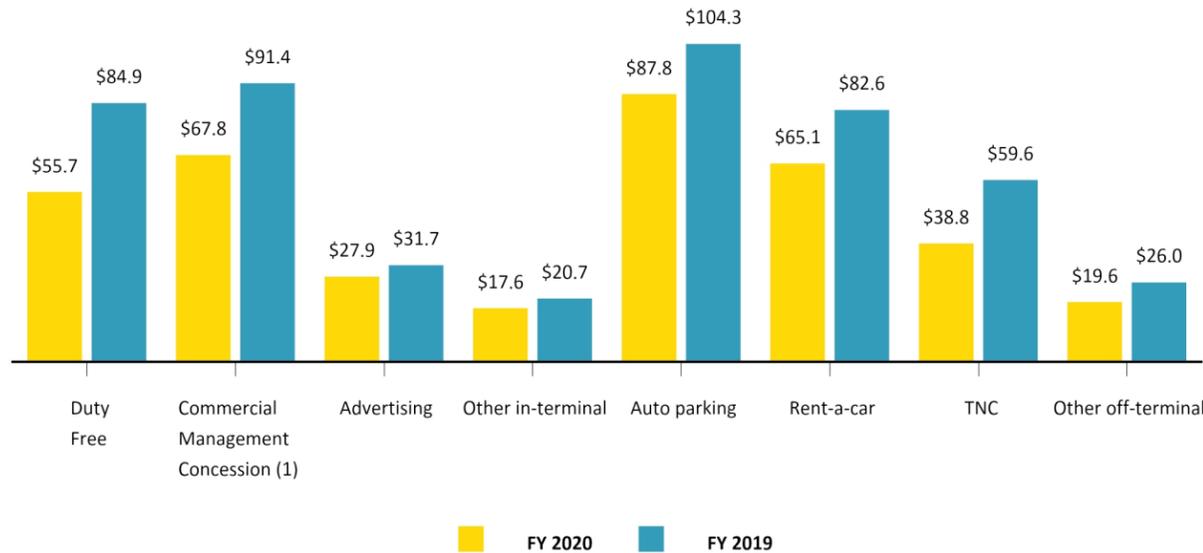


**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2020 and 2019**  
 (continued)

of MAGs and a decrease in percentage rents based on concessionaires' sales due to passenger traffic reduction as a result of the COVID-19 pandemic in fiscal year 2020.

Off-terminal concession revenue at LAX in fiscal year 2020 was \$211.3 million as compared to \$272.5 million in fiscal year 2019, a decrease of \$61.2 million or 22.5%. The decrease was primarily caused by a decrease in TNC revenue of \$20.8 million or 34.9% from fiscal year 2019, a decrease in auto parking of \$16.5 million or 15.8% from fiscal year 2019, and a decrease in rent-a-car revenue of \$17.5 million or 21.2%. The decrease in TNC revenue was a result of a one-time penalty fees of \$4.7 million in fiscal year 2019 in addition to the decline in ridership caused by the drop in passenger traffic as impacted by COVID-19 in fiscal year 2020. The decrease in auto parking revenue was primarily attributed to decrease in passenger traffic offset by parking rates increase in the Central Terminal Area parking structures effective January 2019. The decrease in rent-a-car revenue was due to a waiver of MAGs and a decrease in percentage rents based on sales due to passenger traffic reduction as a result of the COVID-19 pandemic in fiscal year 2020.

Comparative LAWA concession revenue by type for fiscal years 2020 and 2019 are presented in the following chart (amounts in millions).

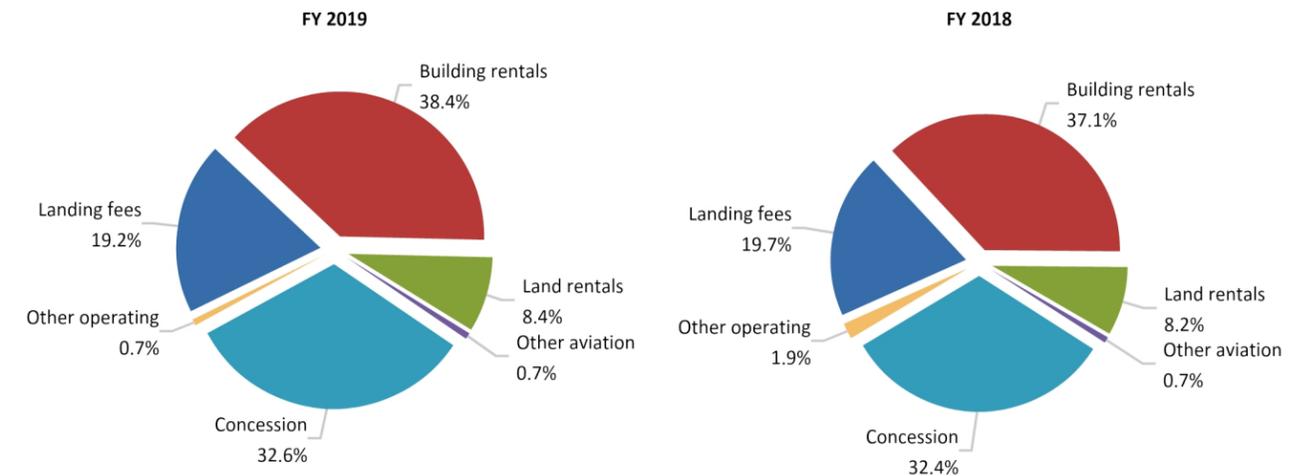


(1) Commercial Management Concession revenue includes total revenue from food and beverage concessionaires, gifts and news and commercial management concessionaires.

Other operating revenue, including airport sales and services, and other aviation and operating revenue, decreased by \$2.1 million or 20.1% in fiscal year 2020. The decrease was primarily due to a drop in various reimbursements, refunds and penalty fees.

**Operating Revenue, Fiscal Year 2019**

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



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

As described in Notes 1i of the notes to the financial statements, landing fees assessed to air carriers at LAX are based on cost recovery methodologies. Rates are set using budgeted expenses and estimates of landed weight. The fees are reconciled at the end of the fiscal year using actual net expenses and actual landed weight, with differences credited or billed to the airlines accordingly. Terminal rental rates at LAX are calculated using a compensatory methodology. Rates are set based on operating and capital costs allocated to the terminal area and charged to users by leased space or activity in common-use areas.

Landing fees increased by \$11.0 million or 3.9%, from \$284.7 million in fiscal year 2018 to \$295.7 million in fiscal year 2019. The increase in landing fees was primarily due to the increase in actual capital and operating expenses allocable to the landing fee cost centers at LAX.

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

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



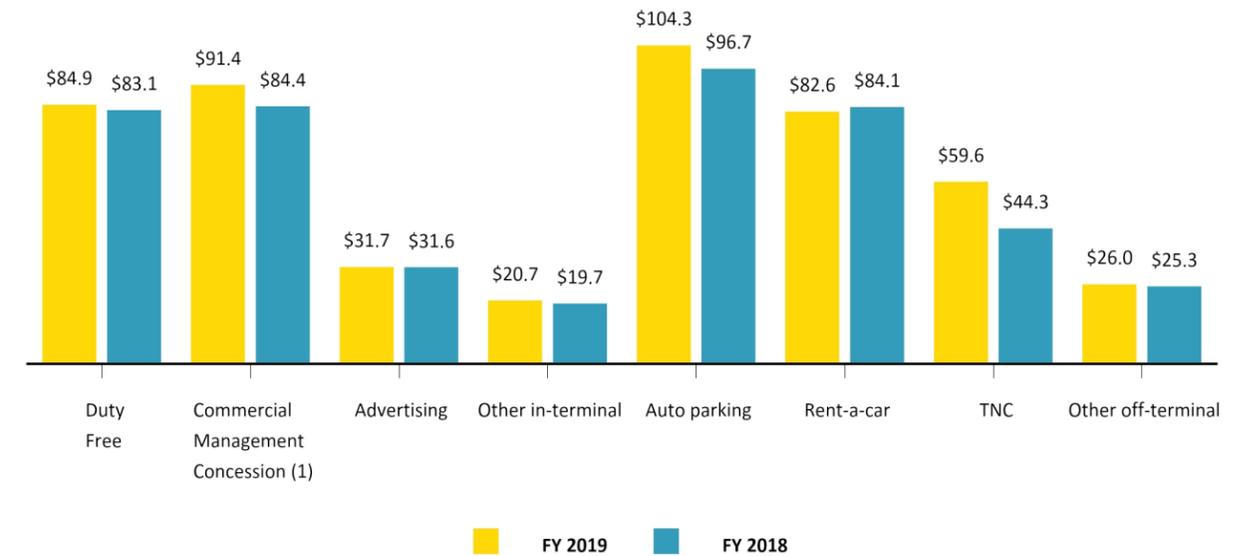
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2020 and 2019**  
 (continued)

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

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

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

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



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

The decrease in other operating revenue was due to the recognition of ONT salary reimbursement of \$16.7 million in fiscal year 2018. LAWA has not provided staff augmentation services to OIAA since April 2018.



**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2020 and 2019**  
 (continued)

**Operating Expenses**

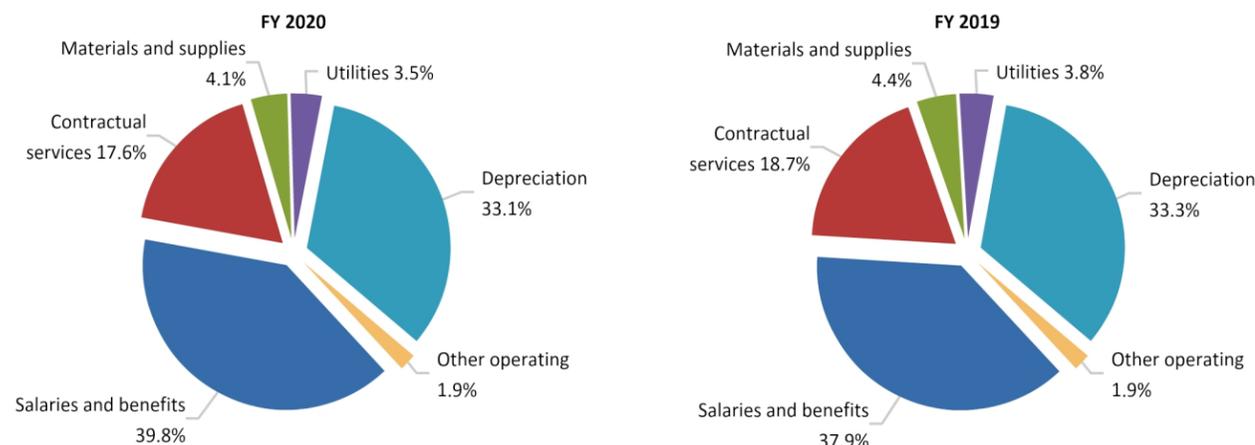
The following table presents a summary of LAWA's operating expenses for the fiscal years ended June 30, 2020, 2019, and 2018. Included in other operating expenses are expenses for advertising and public relations, training and travel, insurance, lease, and other miscellaneous items.

**Summary of Operating Expenses**  
 (amounts in thousands)

	FY 2020	FY 2019	FY 2018	FY 2020 increase (decrease)	FY 2019 increase (decrease)
Salaries and benefits	\$ 541,581	\$ 464,345	\$ 474,431	\$ 77,236	\$ (10,086)
Contractual services	239,015	228,765	229,292	10,250	(527)
Materials and supplies	56,279	53,983	50,383	2,296	3,600
Utilities	48,202	47,122	40,383	1,080	6,739
Other operating expenses	24,908	23,796	21,022	1,112	2,774
Operating expenses before depreciation	909,985	818,011	815,511	91,974	2,500
Depreciation	450,606	407,664	365,465	42,942	42,199
Total operating expenses	\$ 1,360,591	\$ 1,225,675	\$ 1,180,976	\$ 134,916	\$ 44,699

**Operating Expenses, Fiscal Year 2020**

The following chart illustrates the proportion of categories of operating expenses for fiscal years ended June 30, 2020 and 2019.



For the fiscal year ended June 30, 2020, LAWA operating expenses were \$1.4 billion, a \$134.9 million or 11.0% increase from the prior fiscal year. Expense categories that experienced notable changes were increase in salaries and benefits of \$77.2 million or 16.6%, and increase in contractual services of \$10.3 million or 4.5%. Expense categories with moderate increase were materials and supplies, an increase of \$2.3 million or 4.3%; utilities, an increase of \$1.1 million or 2.3%; and other operating expenses, an increase of \$1.1 million or 4.7%. Depreciation increased by \$42.9 million or 10.5%. Total operating expenses were \$1.3 billion for LAX, a \$132.5 million or 11.0% increase from the prior fiscal year.

LAWA's salaries and benefits expenses increased by \$77.2 million or 16.6% in fiscal year 2020. At LAX, salaries and benefits expenses increased by \$75.6 million or 16.5%. Within this category, salaries and overtime before capitalized charges at LAX had an increase of \$31.3 million or 9.5%. This increase was mainly due to the terms of bargaining agreements with employee unions, in addition to the recognition of \$17.4 million under the SIP in fiscal year 2020. Retirement contributions increased by \$13.8 million or 15.9%; and healthcare subsidy increased moderately by \$0.7 million or 1.4%. Workers' compensation increased by \$9.1 million or 163.8% as additional projected year-end liability was recognized in fiscal year 2020 based on the actuarial report. Non-cash pension and OPEB expenses increased by \$22.0 million to \$33.4 million in fiscal year 2020.

LAWA's contractual services increased by \$10.3 million or 4.5% in fiscal year 2020. At LAX, contractual services increased by 9.7 million or 4.4%. The increase was mostly driven by the opening of the auxiliary curb, LAX-it, to provide a pickup area for taxis and ride apps in fiscal year 2020.

LAWA's materials and supplies expenses increased by \$2.3 million from \$54.0 million to \$56.3 million in fiscal year 2020. LAX's materials and supplies expenses were \$55.5 million and \$53.4 million in fiscal year 2020 and 2019, respectively. The increase in materials and supplies at LAX was mainly due to the rental of backup power generators in response to a power outage incident in the Central Terminal Area, and increased maintenance and services for the automated border control gates and kiosks.

LAWA's utilities expenses increased by \$1.1 million from \$47.1 million to \$48.2 million in fiscal year 2020. Utilities expenses were \$47.3 million and \$46.2 million for LAX in fiscal year 2020 and 2019, respectively. The increase in utilities expenses was mainly caused by an increase of \$1.3 million in telephone and \$2.4 million in water charges offset by a decrease in electricity of \$2.2 million. Increase in telephone charges was due to higher usage. Increase in water charges was due to rate hikes and a sewage billing of \$3.7 million in fiscal year 2020, of which \$1.6 million was related to prior year usage. Decrease in electricity was a result of credit adjustments in fiscal year 2020 and lower usage due to Central Utility Plant (CUP) efficiency.

LAWA's other operating expenses increased by \$1.1 million from \$23.8 million to \$24.9 million in fiscal year 2020. Other operating expenses were \$24.7 million and \$23.6 million for LAX in fiscal year 2020 and 2019, respectively. The increase in other operating expenses at LAX was mainly due to increase in bad debts of \$2.0 million and increase in insurance of \$2.1 million, offset by approximately \$3.0 million in aggregate decreases in travel, advertising and marketing, and miscellaneous administrative expenses. Increase in bad debts was a result of higher year-end bad debt allowance driven by a higher year-end accounts receivable balances due to the rent deferral program in fiscal year 2020. Increase in insurance premium was caused by rate hike and additional cybersecurity coverage of \$30.0 million in fiscal year 2020.

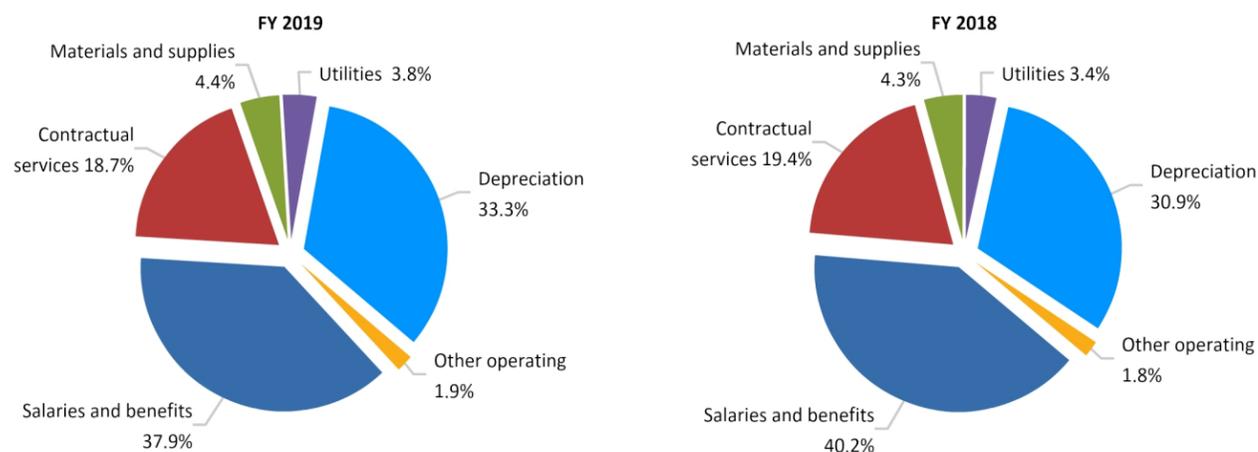
LAWA's depreciation charges increased by \$42.9 million from \$407.7 million to \$450.6 million in fiscal year 2020. In LAX, depreciation charges increased from \$402.6 million to \$445.9 million in fiscal year 2020. The increase in depreciation charges was primarily due to capitalization of various terminals improvements and the Inglewood noise mitigation projects in fiscal year 2020.



**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2020 and 2019**  
 (continued)

**Operating Expenses, Fiscal Year 2019**

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



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

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

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

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

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



**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2020 and 2019**  
(continued)

**Nonoperating Transactions**

Nonoperating transactions are activities that do not result from providing services or producing and delivering goods in connection with LAWA's ongoing operations. The following table presents a summary of these activities during fiscal years 2020, 2019, and 2018.

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

	FY 2020	FY 2019	FY 2018	FY 2020 increase (decrease)	FY 2019 increase (decrease)
<b>Nonoperating revenue</b>					
Passenger facility charges	\$ 118,023	\$ 173,100	\$ 171,431	\$ (55,077)	\$ 1,669
Customer facility charges	65,621	80,248	55,759	(14,627)	24,489
Interest and investment income	120,052	109,420	9,945	10,632	99,475
Other nonoperating revenue	14,286	23,996	43,360	(9,710)	(19,364)
	<u>\$ 317,982</u>	<u>\$ 386,764</u>	<u>\$ 280,495</u>	<u>\$ (68,782)</u>	<u>\$ 106,269</u>
<b>Nonoperating expenses</b>					
Interest expense	\$ 320,892	\$ 294,767	\$ 205,308	\$ 26,125	\$ 89,459
Other nonoperating expenses	3,424	6,728	1,917	(3,304)	4,811
	<u>\$ 324,316</u>	<u>\$ 301,495</u>	<u>\$ 207,225</u>	<u>\$ 22,821</u>	<u>\$ 94,270</u>
Federal and other government grants	<u>\$ 105,346</u>	<u>\$ 36,340</u>	<u>\$ 55,897</u>	<u>\$ 69,006</u>	<u>\$ (19,557)</u>

**Nonoperating Transactions, Fiscal Year 2020**

PFCs decreased by \$55.1 million or 31.8% from \$173.1 million to \$118.0 million as a result of the decrease of 28.7% passenger traffic in fiscal year 2020 as impacted by COVID-19. CFCs, which are imposed on each car rental transaction collected by car rental concessionaires and remitted to LAWA, decreased by \$14.6 million or 18.2% from \$80.2 million to \$65.6 million in fiscal year 2020. The decrease was primarily due to the decrease of passenger traffic as impacted by COVID-19.

Interest and investment income increased by \$10.6 million or 9.7% in fiscal year 2020. This was mainly due to the higher interest rate and average balance of cash and pooled investments held in City Treasury, as well as the increase driven by the upward year-end net adjustment to the fair value of investment securities. Interest expenses increased by \$26.1 million or 8.9% from \$294.8 million to \$320.9 million in fiscal year 2020 mainly due to the net additional issuances of \$166.4 million revenue bonds (after refunding) to finance capital improvement projects at LAX.

Other nonoperating revenue decreased by \$9.7 million, or 40.5% from \$24.0 million to \$14.3 million in fiscal year 2020 primarily due to \$13.1 million noise mitigation funds returned to LAX in fiscal year 2019, offset by \$2.9 million reimbursement billing for USO tenant improvement project in fiscal year 2020.

Other nonoperating expenses decreased by \$3.3 million or 49.1% from \$6.7 million to \$3.4 million in fiscal year 2020. The decrease was mainly due to decrease in bond issuance expenses as a result of reduction in net bond issuance from \$1.6 billion in fiscal year 2019 to \$166.4 million in fiscal year 2020.

LAWA's federal and other government grants increased by \$69.0 million or 189.9% in fiscal year 2020. At LAX, federal and other government grants increased by \$56.1 million, or 187.9% from \$29.9 million to \$86.0 million mainly due to the CARES Act grants of \$52.4 million received in fiscal year 2020.



## Management's Discussion and Analysis (Unaudited)

### June 30, 2020 and 2019

(continued)

#### Nonoperating Transactions, Fiscal Year 2019

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

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

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

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

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

#### Long-Term Debt

As of June 30, 2020, LAWA's outstanding long-term debt before unamortized premium was \$7.2 billion. Issuances during the year amounted to \$1.2 billion, redemption and refunding totaled \$983.7 million, and payments for scheduled maturities were \$143.2 million. Together with the unamortized premium, bonded debt of LAWA increased by \$261.8 million to a total of \$8.1 billion.

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

As of June 30, 2020 and 2019, LAWA had \$701.2 million and \$672.4 million investments, respectively, held by fiscal agents that are pledged for the payment or security of the outstanding bonds.

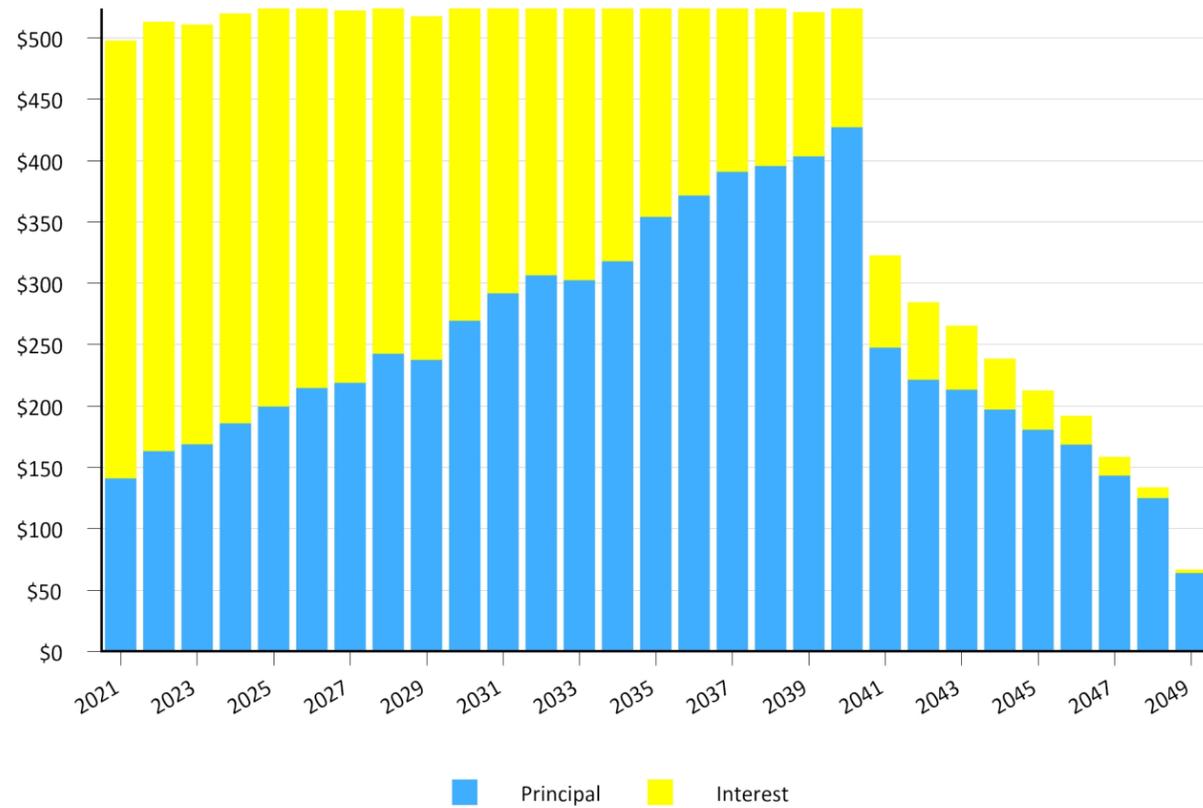
LAWA maintains credit ratings of AA, Aa2 and AA- on its senior revenue bonds and credit ratings of AA-, Aa3 and A+ on its subordinate revenue bonds from Fitch Ratings, Moody's Investors Service and Standard & Poor's Global Ratings (S&P), respectively. In August 2020, S&P downgraded LAX credit rating from AA to AA- for senior revenue bonds and from AA- to A+ for subordinate revenue bonds, while the other two agencies affirmed their ratings. According to S&P's press release, the downgrade was a result of the COVID-19 pandemic. It reflects S&P's outlook on the impact of the pandemic on the aviation industry overall and its effects on LAX, which is outside of management's control.

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



**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2020 and 2019**  
 (continued)

Outstanding principal, plus scheduled interest as of June 30, 2020, is scheduled to mature as shown in the following chart (amounts in millions).



**Capital Assets**

LAWA's investment in capital assets, net of accumulated depreciation, as of June 30, 2020 and 2019 were \$12.3 billion and \$11.0 billion, respectively. This investment, which accounts for 78.7% and 73.0% of LAWA's total assets as of June 30, 2020 and 2019, respectively, includes land, air easements, buildings, improvements, equipment and vehicles, emission reduction credits, and construction work in progress.

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

**Capital Assets, Fiscal Year 2020**

Major capital expenditure activities during fiscal year 2020 included:

- LAX - \$430.0 million renovations at Terminals 1 to 8
- LAX - \$383.0 million construction of Midfield Satellite Concourse (MSC)
- LAX - \$200.1 million construction of Automated People Mover System (APM)
- LAX - \$166.5 million project costs related to Landside Access Modernization Program (LAMP)
- LAX - \$139.8 million construction of Consolidated Rental Car Facility (ConRAC)
- LAX - \$53.6 million interior improvements and security upgrades at Tom Bradley International Terminal (TBIT) and Bradley West
- LAX - \$44.7 million construction of runways and taxiways
- LAX - \$26.1 million residential acquisition, soundproofing and noise mitigation
- LAX - \$20.3 million IT network and system projects
- VNY - \$22.4 million taxiway and landside improvements

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



## Management's Discussion and Analysis (Unaudited)

### June 30, 2020 and 2019

(continued)

#### Capital Assets, Fiscal Year 2019

Major capital expenditure activities during fiscal year 2019 included:

- LAX - \$470.1 million construction of MSC
- LAX - \$407.4 million project costs related to LAMP<sup>4</sup>
- LAX - \$356.6 million renovations at Terminals 1 to 8
- LAX - \$29.4 million interior improvements and security upgrades at TBIT and Bradley West
- LAX - \$27.7 million construction of runways and taxiways
- LAX - \$14.5 million CTA curbside development project
- VNY - \$11.5 million taxiway and landside improvements

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

<sup>4</sup> This amount included APM Milestone Payment of \$174.7 million made in March 2019.



#### Landing Fees

##### Los Angeles International Airport

The airline landing fees for fiscal year 2021, as approved by the LAWA Board of Commissioners on June 18, 2020, 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	\$143.00	\$179.00
For each landing of aircraft having a maximum gross landing weight of more than 12,500 pounds up to and including 25,000 pounds	275.00	344.00
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	8.20	10.25
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	11.01	13.76

Due to the financial impact of COVID-19, LAWA will defer charging the above rates and continue to collect the fiscal year 2020 adopted landing fee rates and other charges for the period July 1, 2020 to December 31, 2020. These rates are subject to mid-year reconciliation and settlement for any uncollected costs during the deferral period.

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

	Permitted air carriers	Non-permitted air carriers
For each landing of aircraft having a maximum gross landing weight of 12,500 pounds or less	\$66.00	\$83.00
For each landing of aircraft having a maximum gross landing weight of more than 12,500 pounds up to and including 25,000 pounds	127.00	159.00
Per 1,000 pounds of maximum gross landing weight for each landing by an air carrier cargo having a maximum gross landing weight of more than 25,000 pounds	3.93	4.91
Per 1,000 pounds of maximum gross landing weight for each landing by an air carrier passenger having a maximum gross landing weight of more than 25,000 pounds	5.08	6.35

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

#### Request for Information

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



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# Financial Statements

2020 Comprehensive Annual Financial Report  
Los Angeles World Airports



# Financial Statements



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

### Statements of Net Position June 30, 2020 and 2019 (amounts in thousands)

	2020	2019
<b>ASSETS</b>		
Current Assets		
Unrestricted current assets		
Cash and pooled investments held in City Treasury	\$ 991,169	\$ 926,248
Investments with fiscal agents	1,249	2,615
Accounts receivable, net of allowance for uncollectible accounts: 2020 - \$2,082; 2019 - \$105	101,906	4,919
Unbilled receivables	208	50,712
Accrued interest receivable	4,690	8,038
Grants receivable	77,055	19,895
Loans receivable	71	160
Receivable from Ontario International Airport Authority (OIAA)	9,361	9,464
Prepaid expenses	5,970	7,357
Inventories	1,421	1,563
Total unrestricted current assets	<u>1,193,100</u>	<u>1,030,971</u>
Restricted current assets		
Cash and pooled investments held in City Treasury	1,051,142	1,027,956
Investments with fiscal agents, includes cash and cash equivalents, related to bonded debt: 2020 - \$1,047,564; 2019 - \$1,682,117	1,054,833	1,934,293
Accrued interest receivable	1,131	1,642
Passenger facility charges receivable	1,412	26,926
Customer facility charges receivable	1,720	7,161
Total restricted current assets	<u>2,110,238</u>	<u>2,997,978</u>
Total current assets	<u>3,303,338</u>	<u>4,028,949</u>
Noncurrent Assets		
Capital assets		
Not depreciated	5,034,837	3,545,887
Depreciated, net	7,231,035	7,416,801
Total capital assets	<u>12,265,872</u>	<u>10,962,688</u>
Other noncurrent assets		
Loans receivable, net of current portion	—	71
Receivable from OIAA, net of current portion	21,204	28,179
Total other noncurrent assets	<u>21,204</u>	<u>28,250</u>
Total noncurrent assets	<u>12,287,076</u>	<u>10,990,938</u>
<b>TOTAL ASSETS</b>	<u>15,590,414</u>	<u>15,019,887</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Loss on debt refundings	35,732	37,806
Pension and OPEB	184,318	214,677
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>220,050</u>	<u>252,483</u>



**Statements of Net Position (continued)**  
**June 30, 2020 and 2019**  
(amounts in thousands)

	2020	2019
<b>LIABILITIES</b>		
Current Liabilities		
Current liabilities payable from unrestricted assets		
Contracts and accounts payable	\$ 429,421	\$ 282,303
Accrued salaries	39,286	23,594
Accrued employee benefits	5,794	5,465
Estimated claims payable	9,065	9,326
Commercial paper	63,197	99,791
Obligations under securities lending transactions	6,359	9,810
Other current liabilities	31,780	19,157
Total current liabilities payable from unrestricted assets	<u>584,902</u>	<u>449,446</u>
Current liabilities payable from restricted assets		
Contracts and accounts payable	14,501	16,169
Current maturities of bonded debt	141,025	143,240
Accrued interest payable	44,630	42,304
Obligations under securities lending transactions	6,547	10,305
Other current liabilities	2,732	858
Total current liabilities payable from restricted assets	<u>209,435</u>	<u>212,876</u>
Total current liabilities	<u>794,337</u>	<u>662,322</u>
Noncurrent Liabilities		
Bonded debt, net of current portion	7,963,523	7,699,537
Accrued employee benefits, net of current portion	52,146	44,217
Estimated claims payable, net of current portion	91,694	85,561
Net pension liability	821,564	786,765
Net OPEB liability	69,609	79,037
Other long-term liabilities	886	886
Total noncurrent liabilities	<u>8,999,422</u>	<u>8,696,003</u>
<b>TOTAL LIABILITIES</b>	<u>9,793,759</u>	<u>9,358,325</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Gain on debt refundings	24,271	3,681
Pension and OPEB	68,709	90,554
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>92,980</u>	<u>94,235</u>
<b>NET POSITION</b>		
Net investment in capital assets	5,119,799	4,945,969
Restricted for:		
Passenger facility charges eligible projects	352,440	381,032
Customer facility charges eligible projects	436,422	433,066
Operations and maintenance reserve	240,776	221,137
Federally forfeited property and protested funds	1,978	1,526
Unrestricted	(227,690)	(162,920)
<b>TOTAL NET POSITION</b>	<u>\$ 5,923,725</u>	<u>\$ 5,819,810</u>

See accompanying notes to the financial statements.

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

**Statements of Revenues, Expenses and Changes in Net Position**  
**For the Fiscal Years Ended June 30, 2020 and 2019**  
(amounts in thousands)

	2020	2019
<b>OPERATING REVENUE</b>		
Aviation revenue		
Landing fees	\$ 259,185	\$ 295,724
Building rentals	580,192	590,771
Land rentals	127,105	129,411
Other aviation revenue	10,420	10,534
Total aviation revenue	<u>976,902</u>	<u>1,026,440</u>
Concession revenue	380,339	501,179
Other operating revenue	8,253	10,330
Total operating revenue	<u>1,365,494</u>	<u>1,537,949</u>
<b>OPERATING EXPENSES</b>		
Salaries and benefits	541,581	464,345
Contractual services	239,015	228,765
Materials and supplies	56,279	53,983
Utilities	48,202	47,122
Other operating expenses	24,908	23,796
Total operating expenses before depreciation and amortization	<u>909,985</u>	<u>818,011</u>
Operating income before depreciation and amortization	455,509	719,938
Depreciation and amortization	450,606	407,664
<b>OPERATING INCOME</b>	<u>4,903</u>	<u>312,274</u>
<b>NONOPERATING REVENUE (EXPENSES)</b>		
Passenger facility charges	118,023	173,100
Customer facility charges	65,621	80,248
Interest and investment income	120,052	109,420
Interest expense	(320,892)	(294,767)
Other nonoperating revenue	14,286	23,996
Other nonoperating expenses	(3,424)	(6,728)
Total nonoperating revenue (expenses), net	<u>(6,334)</u>	<u>85,269</u>
<b>INCOME BEFORE CAPITAL GRANTS</b>	<u>(1,431)</u>	<u>397,543</u>
Federal and other government grants	105,346	36,340
<b>CHANGE IN NET POSITION</b>	<u>103,915</u>	<u>433,883</u>
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>5,819,810</u>	<u>5,385,927</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 5,923,725</u>	<u>\$ 5,819,810</u>

See accompanying notes to the financial statements.



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

**Statements of Cash Flows**  
**For the Fiscal Years Ended June 30, 2020 and 2019**  
(amounts in thousands)

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 1,330,960	\$ 1,534,723
Payments to suppliers	(190,699)	(245,945)
Payments for employee salaries and benefits	(476,509)	(453,991)
Payments for City services	(122,973)	(114,589)
Net cash provided by operating activities	<u>540,779</u>	<u>720,198</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Noncapital grants received	<u>10,860</u>	<u>11,153</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from sale of revenue bonds and commercial paper notes	520,679	1,769,324
Principal paid on revenue bonds and commercial paper notes	(231,510)	(127,477)
Interest paid on revenue bonds and commercial paper notes	(362,113)	(321,056)
Revenue bonds issuance costs	(1,591)	(2,368)
Acquisition and construction of capital assets	(1,653,300)	(1,352,003)
Proceeds from passenger facility charges	143,537	171,074
Proceeds from customer facility charges	71,062	81,604
Capital contributed by federal agencies	48,186	23,289
Net cash provided by (used for) capital and related financing activities	<u>(1,465,050)</u>	<u>242,387</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income	78,916	65,238
Net change in fair value of investments	44,490	41,423
Cash collateral received (paid) under securities lending transactions	(7,209)	(11,286)
(Purchases) sales of investments	4,495	(9,395)
(Purchases) sales of investments held by fiscal agents	244,907	(140,773)
Net cash provided by (used for) investing activities	<u>365,599</u>	<u>(54,793)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>(547,812)</u>	<u>918,945</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>3,638,936</u>	<u>2,719,991</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 3,091,124</u>	<u>\$ 3,638,936</u>
<b>CASH AND CASH EQUIVALENTS COMPONENTS</b>		
Cash and pooled investments held in City Treasury- unrestricted	\$ 991,169	\$ 926,248
Investments with fiscal agents- unrestricted	1,249	2,615
Cash and pooled investments held in City Treasury- restricted	1,051,142	1,027,956
Investments with fiscal agents- restricted	1,047,564	1,682,117
Total cash and cash equivalents	<u>\$ 3,091,124</u>	<u>\$ 3,638,936</u>

**RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED**

**BY OPERATING ACTIVITIES**

	2020	2019
Operating income	\$ 4,903	\$ 312,274
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	450,606	407,664
Change in provision for uncollectible accounts	1,977	104
Other nonoperating revenues, net	4,075	14,356
Changes in operating assets and liabilities and deferred outflows and inflows of resources		
Accounts receivable	(98,964)	(4,979)
Unbilled receivables	50,504	(28,833)
Prepaid expenses and inventories	1,508	(3,050)
Notes receivable	7,238	8,062
Contracts and accounts payable	54,251	(7,972)
Accrued salaries	15,692	4,724
Accrued employee benefits	8,258	644
Other liabilities	6,846	5,668
Net pension and OPEB liability and related changes in deferred outflows and inflows of resources	33,885	11,536
Total adjustments	<u>535,876</u>	<u>407,924</u>
Net cash provided by operating activities	<u>\$ 540,779</u>	<u>\$ 720,198</u>

**SIGNIFICANT NONCASH CAPITAL AND RELATED FINANCING AND INVESTING ACTIVITIES**

Acquisition of capital assets included in contracts and accounts payable	\$ 269,838	\$ 178,625
Revenue bonds proceeds received in escrow trust fund	926,983	248,663
Debt defeased and related costs paid through escrow trust fund with revenue bonds	(926,983)	(248,663)
Net change in grants receivable	(57,160)	(13,051)
Revenue bonds proceeds received in escrow trust fund	—	190,000
Acquisition of capital assets with proceeds from sale of revenue bonds	—	(190,000)

See accompanying notes to the financial statements.



**Index to the Notes to the Financial Statements**

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

	<u>Page</u>
1. Reporting Entity and Summary of Significant Accounting Policies	49
2. New Accounting Standards	57
3. Cash and Investments	60
4. Capital Assets	66
5. Commercial Paper	68
6. Bonded Debt	69
7. Changes in Long-Term Liabilities	74
8. Leases and Agreements	76
9. Passenger Facility Charges	82
10. Customer Facility Charges	83
11. Capital Grant Contributions	84
12. Related Party Transactions	84
13. Pension Plan	85
14. Other Postemployment Benefit Plan	96
15. Risk Management	105
16. Commitments, Litigations, and Contingencies	107
17. Subsequent Events	109

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

**Notes to the Financial Statements**  
**June 30, 2020 and 2019**

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**1. Reporting Entity and Summary of Significant Accounting Policies**

**a. Organization and Reporting Entity**

Los Angeles World Airports (Department of Airports of the City of Los Angeles, California) (LAWA) is an independent, financially self-sufficient department of the City of Los Angeles (the City) established pursuant to Article XXIV, Section 238 of the City Charter. LAWA operates and maintains Los Angeles International Airport (LAX) and Van Nuys Airport (VNY) general aviation airport. In addition LAWA owns approximately 17,750 acres of land located east of United States Air Force Plant 42 in the City of Palmdale and retains the rights for future development of the Palmdale property.

LAWA is under the management and control of a seven-member Board of Airport Commissioners (the Board) appointed by the City Mayor and approved by the City Council. Under the City Charter, the Board has the general power to, among other things: (a) acquire, develop, and operate all property, plant, and equipment as it may deem necessary or convenient for the promotion and accommodation of air commerce; (b) borrow money to finance the development of airports owned, operated, or controlled by the City; and (c) fix, regulate, and collect rates and charges for the use of the Airport System. An Executive Director administers LAWA and reports to the Board.

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

**b. Basis of Accounting**

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

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**Notes to the Financial Statements**  
**June 30, 2020 and 2019**  
(continued)

**c. Cash, Cash Equivalents, and Investments**

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

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

**d. Accounts Receivables and Unbilled Receivables**

LAWA recognizes revenue in the period earned. Receivables outstanding beyond 90 days are put into the collection process and then referred after 120 days to LAWA's resident City attorneys for possible write-off. An allowance for uncollectible accounts is set up as a reserve by LAWA policy. This policy requires that 2% of outstanding receivables plus 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**

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

**f. Capital Assets**

All capital assets are carried at cost, or at 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. LAWA has a capitalization threshold of \$5,000 for all capital assets other than internally generated computer software where the threshold is \$500,000. Preliminary costs of capital projects incurred prior to the finalization of formal construction contracts are recorded in construction work in progress. In the event the proposed capital projects are abandoned, the associated preliminary costs are charged to expense in the year of abandonment.

As described in Note 2 of the notes to the financial statements, in fiscal year 2019, LAWA implemented GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, and recognized the interest costs incurred before the end of a construction period as an expense in the period in which the cost is incurred. Accordingly, there was no capitalized interest in fiscal years 2020 and 2019.

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

**g. Contracts Payable, Accounts Payable, and Other Liabilities**

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

**h. Operating and Nonoperating Revenues and Expenses**

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



**i. Landing Fees**

Landing fee rates determine the charges to the airlines each time that a qualified aircraft lands at LAX. Landing fees are calculated annually to recover the costs of constructing, maintaining and operating airfield facilities. Costs recovered through these fees are identified using allocation methods of relevant costs attributable to those facilities. Landing fees are initially set using estimates of cost and activity and are reconciled to actual results following each fiscal year end.

**j. Terminal Rates and Charges**

On September 17, 2012, the Board approved a methodology of calculating rates and charges for airlines and airline consortia using passenger terminals at LAX. The rates, which will recover the costs of acquiring, constructing, operating and maintaining terminal facilities, are as follows: terminal building rate, federal inspection services area (FIS) rate, common use holdroom rate, common use baggage claim rate, common use outbound baggage system rate, common use ticket counter rate, and terminal special charges for custodial services, outbound baggage system maintenance, terminal airline support systems, and loading bridge capital and maintenance.

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

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

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. A signatory airline choosing not to sign the Rate Agreement Amendment will be governed by its Rate Agreement (unmodified by the Rate Agreement Amendment) and at the expiration of such Rate Agreement airlines not agreeing to a Rate Agreement Amendment will be subject to the Airport Terminal Tariff. Passenger airlines and approved airline consortium not currently operating at LAX and commencing operations in the future will have an opportunity to sign the new agreement during or prior to their first 30 days of passenger service at LAX.

In response to the COVID-19 pandemic, LAWA is proactively implementing measures intended to mitigate operational and financial impacts. Among those measures are the April 2020 approvals of the Passenger Airline Temporary Relief Program and the Concessionaires and Services Temporary Relief Program. Additional details can be found in Note 8 of the notes to the financial statements.

**k. Concession Revenue**

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

In response to the COVID-19 pandemic, LAWA is proactively implementing measures intended to mitigate operational and financial impacts. Among those measures are the April 2020 approvals of the Passenger Airline Temporary Relief Program and the Concessionaires and Services Temporary Relief Program. Additional details can be found in Note 8 of the notes to the financial statements.

**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. LAWA employees accumulate annual vacation and sick leave in varying amounts based on length of service. Vacation and sick leave are recorded as earned. Upon termination or retirement, employees are paid the cash value of their accumulated leave. Accrued employee benefits as of June 30, 2020 and 2019 are as follows (amounts in thousands):

Type of benefit	2020	2019
Accrued vacation leave	\$ 32,891	\$ 25,758
Accrued sick leave	25,049	23,924
Sub-total	57,940	49,682
Current portion	(5,794)	(5,465)
Noncurrent portion	\$ 52,146	\$ 44,217



**Notes to the Financial Statements**  
**June 30, 2020 and 2019**  
(continued)

As part of the 2021 budget plan to manage headcount, in May 2020, LAWA offered a Separation Incentive Program (SIP) that would provide cash payments for eligible LAWA employees who choose to voluntarily retire from the City of Los Angeles. A total of 333 employees have chosen to participate in the program to voluntarily terminate their employment with LAWA, with SIP departures beginning on June 6, 2020. LAWA recognized \$17.7 million (LAX recognized \$17.4 million) under the program in fiscal year 2020.

**n. Deferred Outflows and Inflows of Resources**

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

For fiscal years ended June 30, 2020 and 2019, LAWA reported total net pension liability, deferred outflows/inflows of resources related to pensions, and pension expenses for Los Angeles City Employees' Retirement System (LACERS) and City of Los Angeles Fire and Police Pensions (LAFPP) as follows (amounts in thousands):

	2020	2019
<b>Net pension liability</b>		
LACERS - proportionate shares	\$ 819,996	\$ 785,272
LAFPP - proportionate shares	1,568	1,493
Total net pension liability	<u>\$ 821,564</u>	<u>\$ 786,765</u>
<b>Deferred outflows of resources related to pensions</b>		
LACERS - proportionate shares	\$ 149,624	\$ 180,701
LAFPP - proportionate shares	3,157	2,990
Total deferred outflows of resources related to pensions	<u>\$ 152,781</u>	<u>\$ 183,691</u>
<b>Deferred inflows of resources related to pensions</b>		
LACERS - proportionate shares	\$ 37,062	\$ 64,599
LAFPP - proportionate shares	115	37
Total deferred inflows of resources related to pensions	<u>\$ 37,177</u>	<u>\$ 64,636</u>
<b>Pension expenses</b>		
LACERS - proportionate shares	\$ 112,580	\$ 81,613
LAFPP - proportionate shares	1,271	(288)
Total pension expenses	<u>\$ 113,851</u>	<u>\$ 81,325</u>

For fiscal years ended June 30, 2020 and 2019, LAWA reported total net OPEB liability, deferred outflows/inflows of resources related to OPEB, and OPEB expenses for LACERS and LAFPP as follows (amounts in thousands):

	2020	2019
<b>Net OPEB liability</b>		
LACERS - proportionate shares	\$ 69,014	\$ 78,324
LAFPP - proportionate shares	595	713
Total net OPEB liability	<u>\$ 69,609</u>	<u>\$ 79,037</u>
<b>Deferred outflows of resources related to OPEB</b>		
LACERS - proportionate shares	\$ 30,419	\$ 29,895
LAFPP - proportionate shares	1,118	1,091
Total deferred outflows of resources related to OPEB	<u>\$ 31,537</u>	<u>\$ 30,986</u>
<b>Deferred inflows of resources related to OPEB</b>		
LACERS - proportionate shares	\$ 31,282	\$ 25,913
LAFPP - proportionate shares	250	5
Total deferred inflows of resources related to OPEB	<u>\$ 31,532</u>	<u>\$ 25,918</u>
<b>OPEB expenses</b>		
LACERS - proportionate shares	\$ 9,846	\$ 11,744
LAFPP - proportionate shares	504	235
Total OPEB expenses	<u>\$ 10,350</u>	<u>\$ 11,979</u>



**o. Federal Grants**

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

**p. Bond Premiums and Discounts**

Bond premiums and discounts are deferred and amortized over the life of the bonds. At the time of bond refunding, the unamortized premiums or discounts are amortized over the life of the refunded bonds or the life of the refunding bonds, whichever is shorter. Bonds payable is reported net of the applicable bond premium or discount.

LAWA amortizes bond premiums or discounts using the effective interest method. The effective interest method allocates bond interest expense over the life of the bonds in such a way that it yields a constant rate of interest, which in turn is the market rate of interest at the date of issue of bonds. With effective interest method, the amortization of bond premiums or discounts is calculated using the effective market interest rate at the time of issuances versus the coupon rate used in straight-line method.

**q. Net Position**

The financial statements utilize a net position presentation. Net position is categorized as follows:

- *Net Investment in Capital Assets* - This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.
- *Restricted Net Position* - This category presents restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Those assets are restricted due to external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Position* - This category represents net position of LAWA that is not restricted for any project or other purpose.

**r. Use of Restricted/Unrestricted Net Position**

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

**s. Use of Estimates**

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

**2. New Accounting Standards**

LAWA adopted GASB Statement No. 95, *Postponement of The Effective Dates of Certain Authoritative Guidance* (GASB 95), which provided temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. GASB 95 postponed the effective date of certain provisions in the Statements and Implementation Guides that first become effective or were scheduled to become effective for periods beginning after June 15, 2018, and later. The effective dates of certain provisions within the following pronouncements were postponed by one year: Statement No. 83, *Certain Asset Retirement Obligations*, Statement No. 84, *Fiduciary Activities*, Statement No. 88 *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, Statement No. 90, *Majority Equity Interests*, Statement No. 91, *Conduit Debt Obligations*, Statement No. 92, *Omnibus 2020*, and Statement No. 93, *Replacement of Interbank Offered Rates*. The effective date for GASB Statement No. 87, *Leases*, was postponed by 18 months.

LAWA implemented the following GASB statements included within GASB 95 in fiscal year 2019:

- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*

LAWA has elected to implement the following GASB statements included within GASB 95 in fiscal year 2020:

- Statement No. 84, *Fiduciary Activities*
- Statement No. 90, *Majority Equity Interests*

LAWA has elected to postpone the implementation of the following GASB Statements included within GASB 95 and has disclosed the expected implementation dates as described in the paragraphs below.

- Statement 87, *Leases*
- Statement 91, *Conduit Debt Obligations*
- Statement 92, *Omnibus 2020*
- Statement 93, *Replacement of Interbank Offered Rates*



## Notes to the Financial Statements

June 30, 2020 and 2019

(continued)

Implementation of the following GASB statements is effective fiscal year 2020.

Issued in January 2017, GASB Statement No. 84, *Fiduciary Activities* establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. LAWA implemented this statement without material impact.

Issued in August 2018, GASB Statement No. 90, *Majority Equity Interest* will improve financial reporting by providing users of financial statements with essential information related to presentation of majority equity interests in legally separate organizations that previously was reported inconsistently. This statement requires reporting of information about component units if the government acquires a 100 percent equity interest provides information about the cost of services to be provided by the component unit in relation to the consideration provided to acquire the component unit. LAWA implemented this statement without material impact.

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

Issued in June 2017, GASB Statement No. 87, *Leases* is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Implementation of this statement is effective fiscal year 2022.

Issued in May 2019, GASB Statement No. 91, *Conduit Debt Obligations* clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer, establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. Implementation of this statement is effective fiscal year 2023.

Issued in January 2020, GASB Statement No. 92, *Omnibus 2020* aims to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics and include specific provisions about individual statements including Statement No. 87, *Leases*, Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and Statement No. 84, *Fiduciary Activities*. Implementation of this statement is effective fiscal year 2022.

Issued in March 2020, GASB Statement No. 93, *Replacement of Interbank Offered Rates* establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. Implementation of this statement is effective fiscal year 2021.

Issued in March 2020, GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangement* improve 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). Implementation of this statement is effective fiscal year 2023.

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 will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. Implementation of this statement is effective fiscal year 2023.

Issued in June 2020, GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Implementation of this statement is effective fiscal year 2022.



**Notes to the Financial Statements**  
**June 30, 2020 and 2019**  
 (continued)

**3. Cash and Investments**

**a. Pooled Investments**

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

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

LAWA maintains a portion of its unrestricted and restricted cash and investments in the City's cash and investment pool (the Pool). LAWA's share of \$2.0 billion and \$1.9 billion in the Pool as of June 30, 2020 and 2019 represented approximately 17.5% and 18.3%, respectively. There are no specific investments belonging to LAWA. Included in LAWA's portion of the Pool is the allocated investment agreements traded at year-end that were settled in the subsequent fiscal year. LAWA's allocated shares for fiscal years 2020 and 2019 were \$4.6 million and \$0.1 million, respectively, and were reported as other current liabilities in the statement of net position. The City issues a publicly available financial report that includes complete disclosures related to the entire cash and investment pool. The report may be obtained by writing to the City of Los Angeles, Office of the Controller, 200 North Main Street, City Hall East Suite 300, Los Angeles, CA 90012, or by calling (213) 978-7200.

**b. City of Los Angeles Securities Lending Program**

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

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

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

LAWA participates in the City's securities lending program through the pooled investment fund. LAWA recognizes its proportionate share of the cash collateral received for securities loaned and related obligation for the general investment pool. At June 30, 2020, LAWA's portion of the cash collateral and the related obligation in the City's program was \$12.9 million. LAWA's portion of the securities purchased from the reinvested cash collateral at June 30, 2020 was \$12.9 million. Such securities are stated at fair value and reported under the cash and pooled investment held in City Treasury. LAWA's portion of the noncash collateral at June 30, 2020 was \$76.5 million. At June 30, 2019, LAWA's portion of the cash collateral and the related obligation in the City's program was \$20.1 million. LAWA's portion of the securities purchased from the reinvested cash collateral at June 30, 2019 was \$20.1 million. Such securities are stated at fair value and reported under the cash and pooled investment held in City Treasury. LAWA's portion of the noncash collateral at June 30, 2019 was \$85.5 million.

During the fiscal years, collateralizations on all loaned securities were within the required 102.0% of market value. The City can sell collateral securities only in the event of borrower default. The lending agent provides indemnification for borrower default. There were no violations of legal or contractual provisions and no borrower or lending agent default losses during the years. There was no credit risk exposure to the City at June 30, 2020 and 2019 because the amounts owed to the borrowers exceeded the amounts borrowed. Loaned securities are held by the City's agents in the City's name and are not subject to custodial credit risk.



**Notes to the Financial Statements**  
**June 30, 2020 and 2019**  
(continued)

**c. Investments with Fiscal Agents**

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

	2020	2019
Unrestricted, current		
Commercial paper and cash at bank	\$ 1,249	\$ 2,615
Restricted, current and noncurrent		
Bond security funds	701,248	672,423
Construction funds	353,585	1,261,870
Subtotal	1,054,833	1,934,293
Total	\$ 1,056,082	\$ 1,936,908

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

At June 30, 2020, the investments and their maturities are as follows (amounts in thousands):

	Amount	Investment maturities	
		1 to 60 days	61 to 365 days
Money market mutual funds	\$ 831,975	\$ 831,975	\$ —
State of California LAIF	215,589	—	215,589
U.S. Treasury securities	7,269	—	7,269
Subtotal	1,054,833	\$ 831,975	\$ 222,858
Bank deposit accounts	1,249		
Total	\$ 1,056,082		

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

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

**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, 2020, the investments by fair value level are as follows (amounts in thousands):

	Amount	Fair Value Measurements Using Level 1
	Money Market Funds	\$ 831,975
U.S. Treasury securities	7,269	7,269
Total investments by fair value level	839,244	\$ 839,244
Investments not subject to fair value hierarchy		
State of California LAIF	215,589	
Bank deposit accounts	1,249	
Total	\$ 1,056,082	



**Notes to the Financial Statements**  
**June 30, 2020 and 2019**  
(continued)

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

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

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

*Credit Risk.* The City's policy requires that a mutual fund must receive the highest ranking by not less than two nationally recognized rating agencies. At June 30, 2020 and 2019, the money market mutual funds were rated AAAM by Standard and Poor's, and Aaa by Moody's.

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

As of June 30, 2020, LAWA's investments in the LAIF held by fiscal agents totaled \$215.6 million. The total amount invested by all public agencies in LAIF at that date was \$32.1 billion. The LAIF is part of the State's Pooled Money Investment Account (PMIA). As of June 30, 2020, the investments in the PMIA totaled \$101.8 billion, of which 96.6% is invested in non-derivative financial products and 3.4% in structured notes and asset-backed securities. The weighted average maturity of LAIF investments was 191 days as of June 30, 2020. LAIF is not rated. As of June 30, 2019, LAWA's investments in the LAIF held by fiscal agents totaled \$98.4 million. The total amount invested by all public agencies in LAIF at that date was \$24.6 billion. As of June 30, 2019, the investments in the PMIA totaled \$106.0 billion, of which 98.2% is invested in non-derivative financial products and 1.8% in structured notes and asset-backed securities. The weighted average maturity of LAIF investments was 173 days as of June 30, 2019.

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



**Notes to the Financial Statements**  
**June 30, 2020 and 2019**  
(continued)

**4. Capital Assets**

LAWA had the following activities in capital assets during fiscal year 2020 (amounts in thousands):

	Balance at July 1, 2019	Additions	Retirements & disposals	Transfers	Balance at June 30, 2020
<b>Capital assets not depreciated</b>					
Land and land clearance	\$ 1,272,320	\$ —	\$ —	\$ 1,455	\$ 1,273,775
Air easements	44,472	—	—	—	44,472
Emission reduction credits	2,772	—	—	—	2,772
Construction work in progress	2,226,323	1,706,830	—	(219,335)	3,713,818
<b>Total capital assets not depreciated</b>	<b>3,545,887</b>	<b>1,706,830</b>	<b>—</b>	<b>(217,880)</b>	<b>5,034,837</b>
<b>Capital assets depreciated</b>					
Buildings	3,611,562	—	—	—	3,611,562
Improvements	6,436,158	3,742	—	190,252	6,630,152
Equipment and vehicles	303,945	43,362	(3,941)	1,653	345,019
Intangible assets	38,087	—	—	25,975	64,062
<b>Total capital assets depreciated</b>	<b>10,389,752</b>	<b>47,104</b>	<b>(3,941)</b>	<b>217,880</b>	<b>10,650,795</b>
<b>Accumulated depreciation</b>					
Buildings	(855,778)	(113,886)	—	—	(969,664)
Improvements	(1,927,843)	(307,098)	—	—	(2,234,941)
Equipment and vehicles	(152,898)	(23,927)	3,797	—	(173,028)
Intangible assets	(36,432)	(5,695)	—	—	(42,127)
<b>Total accumulated depreciation</b>	<b>(2,972,951)</b>	<b>(450,606)</b>	<b>3,797</b>	<b>—</b>	<b>(3,419,760)</b>
<b>Capital assets depreciated, net</b>	<b>7,416,801</b>	<b>(403,502)</b>	<b>(144)</b>	<b>217,880</b>	<b>7,231,035</b>
<b>Total</b>	<b>\$ 10,962,688</b>	<b>\$ 1,303,328</b>	<b>\$ (144)</b>	<b>\$ —</b>	<b>\$ 12,265,872</b>

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

	Balance at July 1, 2018	Additions	Retirements & disposals	Transfers	Balance at June 30, 2019
<b>Capital assets not depreciated</b>					
Land and land clearance	\$ 1,225,777	\$ —	\$ —	\$ 46,543	\$ 1,272,320
Air easements	44,472	—	—	—	44,472
Emission reduction credits	2,772	—	—	—	2,772
Construction work in progress	1,542,910	1,355,221	(643)	(671,165)	2,226,323
<b>Total capital assets not depreciated</b>	<b>2,815,931</b>	<b>1,355,221</b>	<b>(643)</b>	<b>(624,622)</b>	<b>3,545,887</b>
<b>Capital assets depreciated</b>					
Buildings	3,610,503	—	—	1,059	3,611,562
Improvements	5,707,689	194,359	—	534,110	6,436,158
Equipment and vehicles	205,003	15,941	(6,452)	89,453	303,945
Intangible assets	38,087	—	—	—	38,087
<b>Total capital assets depreciated</b>	<b>9,561,282</b>	<b>210,300</b>	<b>(6,452)</b>	<b>624,622</b>	<b>10,389,752</b>
<b>Accumulated depreciation</b>					
Buildings	(741,666)	(114,112)	—	—	(855,778)
Improvements	(1,648,870)	(278,973)	—	—	(1,927,843)
Equipment and vehicles	(145,731)	(13,255)	6,088	—	(152,898)
Intangible assets	(35,107)	(1,325)	—	—	(36,432)
<b>Total accumulated depreciation</b>	<b>(2,571,374)</b>	<b>(407,665)</b>	<b>6,088</b>	<b>—</b>	<b>(2,972,951)</b>
<b>Capital assets depreciated, net</b>	<b>6,989,908</b>	<b>(197,365)</b>	<b>(364)</b>	<b>624,622</b>	<b>7,416,801</b>
<b>Total</b>	<b>\$ 9,805,839</b>	<b>\$ 1,157,856</b>	<b>\$ (1,007)</b>	<b>\$ —</b>	<b>\$ 10,962,688</b>



**Notes to the Financial Statements**  
**June 30, 2020 and 2019**  
(continued)

**5. Commercial Paper**

As of June 30, 2020 and 2019, LAWA had outstanding commercial paper (CP) notes of \$63.2 million and \$99.8 million, respectively. The respective average interest rates in effect as of June 30, 2020 and 2019 were 0.96% and 1.98%. The CP notes mature no more than 270 days from the date of issuance. The CP notes were issued as a means of interim financing for certain capital expenditures and redemption of certain bond issues.

LAWA entered into letter of credit (LOC) and reimbursement agreements with the following institutions to provide liquidity and credit support for the CP program: Barclays Bank PLC (Barclays) for \$228.9 million, to expire on September 8, 2023; Sumitomo Mitsui Banking Corporation (Sumitomo); acting through its New York Branch for \$218.0 million, to expire on September 9, 2022; and Bank of America for \$98.1 million, to expire on September 9, 2021.

As of June 30, 2020, LAWA had undrawn LOC balances of \$109.0 million from Barclays, \$218.0 million from Sumitomo, and \$154.8 million from Wells Fargo Bank. These LOC agreements expired in September 2020. LAWA entered into new LOC agreements with Barclays, Sumitomo and Bank of America as described above. As of June 30, 2019, LAWA had undrawn LOC balances of \$109.0 million from Barclays, \$218.0 million from Sumitomo, and \$118.2 million from Wells Fargo.

LAWA paid the LOC banks an annual commitment fee ranging from 0.30% and 0.32% on the stated amount of the LOC. LOC fees of \$1.8 million and \$1.7 million were paid for fiscal years 2020 and 2019, respectively.

LAWA had the following CP activity during fiscal year 2020 (amounts in thousands):

	Balance at			Balance at June 30, 2020
	July 1, 2019	Additions	Reductions	
Series A	\$ 4,345	\$ 21,404	\$ —	\$ 25,749
Series B	58,147	29,834	(83,419)	4,562
Series C	37,299	438	(4,851)	32,886
Total	\$ 99,791	\$ 51,676	\$ (88,270)	\$ 63,197

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

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

**6. Bonded Debt**

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

**a. Outstanding Debt**

Outstanding revenue and revenue refunding bonds are due serially in varying annual amounts. Bonds outstanding as of June 30, 2020 and 2019 are as follows (amounts in thousands):

Bond issues	Issue date	Interest rate	Fiscal year of last scheduled maturity	Original principal	Outstanding principal	
					2020	2019
Issue of 2009, Series C	12/3/09	5.175% - 6.582%	2039	\$ 307,350	\$ 262,845	\$ 272,370
Issue of 2009, Series E	12/3/09	2.000% - 5.000%	2020	39,750	—	4,565
Issue of 2010, Series A	4/8/10	3.000% - 5.000%	2040	930,155	316,935	835,265
Issue of 2010, Series B	11/4/10	5.000%	2040	134,680	134,680	134,680
Issue of 2010, Series C	11/4/10	7.053%	2040	59,360	59,360	59,360
Issue of 2010, Series D	11/30/10	3.000% - 5.500%	2040	875,805	315,775	817,535
Issue of 2012, Series A	12/18/12	3.000% - 5.000%	2029	105,610	58,235	64,875
Issue of 2012, Series B	12/18/12	2.000% - 5.000%	2037	145,630	124,010	127,310
Issue of 2013, Series A	11/19/13	5.000%	2043	170,685	170,685	170,685
Issue of 2013, Series B	11/19/13	4.625% - 5.000%	2038	71,175	61,675	63,765
Issue of 2015, Series A	2/24/15	2.000% - 5.000%	2045	267,525	248,405	253,385
Issue of 2015, Series B	2/24/15	3.000% - 5.000%	2045	47,925	44,360	45,295
Issue of 2015, Series C	2/24/15	2.000% - 5.000%	2038	181,805	171,270	178,400
Issue of 2015, Series D	11/24/15	5.000%	2041	296,475	271,960	278,545
Issue of 2015, Series E	11/24/15	2.000% - 5.000%	2041	27,850	24,295	25,245
Issue of 2016, Series A	6/1/16	3.000% - 5.000%	2042	289,210	267,615	274,605
Issue of 2016, Series B	1/19/17	4.000% - 5.000%	2046	451,170	441,945	447,015
Issue of 2016, Series C	12/6/16	1.425% - 3.887%	2038	226,410	197,485	215,415
Issue of 2017, Series A	7/26/17	5.000%	2047	260,610	257,420	259,055
Issue of 2017, Series B	7/26/17	5.000%	2042	88,730	84,640	86,735
Issue of 2018, Series A	3/15/18	4.000% - 5.250%	2048	426,475	424,175	426,475
Issue of 2018, Series B	4/12/18	5.000%	2034	226,500	226,500	226,500
Issue of 2018, Series C	8/8/18	5.000% - 5.750%	2044	425,000	419,105	423,070
Issue of 2018, Series D	11/14/18	5.000%	2048	418,390	408,040	418,390
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	198,785	199,830
Issue of 2019, Series B	3/12/19	4.000% - 5.000%	2049	49,410	49,060	49,410
Issue of 2019, Series C	3/12/19	5.000%	2039	189,095	180,635	189,095
Issue of 2019, Series D	6/27/19	4.000% - 5.000%	2049	167,955	167,955	167,955
Issue of 2019, Series E	6/27/19	4.000% - 5.000%	2049	265,190	265,190	265,190
Issue of 2019, Series F	12/17/19	2.250% - 5.000%	2049	411,575	411,575	—
Issue of 2020, Series A	3/11/20	5.000%	2040	738,575	738,575	—
Total principal amount				\$ 8,655,885	7,163,170	7,140,000
Unamortized premium					941,378	702,777
Net revenue bonds					8,104,548	7,842,777
Current portion of debt					(141,025)	(143,240)
Net noncurrent debt					\$ 7,963,523	\$ 7,699,537



## Notes to the Financial Statements

June 30, 2020 and 2019

(continued)

### b. Pledged Revenue

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

LAWA has received approval from the FAA to collect and use passenger facility charges (PFCs) to pay for debt service on bonds issued to finance the Tom Bradley International Terminal (TBIT) Renovations, Bradley West projects and Terminal 6 improvements. Board of Airport Commissioners authorized amounts of \$144.7 million and \$147.7 million were used for debt service in fiscal years 2020 and 2019, respectively. In fiscal year 2020, LAWA CARES Act grants in the amount of \$42.7 million was used to apply against debt service payments and \$9.7 million was used to apply against LAX maintenance and operation expenses.

The total principal and interest remaining to be paid on the bonds is \$12.4 billion. Principal and interest paid during fiscal year 2020 and the net pledged revenues on GAAP basis (as defined in the master senior and subordinate indentures, after application of the \$144.7 million PFCs funds and \$52.4 million CARES Act grants discussed in the preceding paragraph), were \$503.9 million and \$762.2 million, respectively. Principal and interest paid during fiscal year 2019 and the net pledged revenues on GAAP basis (as defined in the master senior and subordinate indentures, after application of the \$147.7 million PFCs funds discussed in the preceding paragraph), were \$442.5 million and \$948.3 million, respectively.

### c. Bond Issuances

#### Fiscal Year 2020

On December 17, 2019, LAWA issued \$411.6 million of LAX subordinate revenue bonds Series 2019F with a premium of \$70.6 million. The bonds were issued to fund certain capital projects at LAX, and to fund the refinancing of certain outstanding subordinate commercial paper notes.

On March 11, 2020, LAWA issued \$738.6 million of LAX senior refunding revenue bonds, Series 2020A with a premium of \$239.6 million. The bonds were issued to refund and defease a portion of the Series 2010A senior revenue bonds in the amount of \$492.8 million, and to refund and defease a portion of the Series 2010D senior revenue bonds in the amount of \$491.0 million. This transaction resulted in cash flow savings of \$337.3 million, economic gain of \$298.0 million; and a net gain for accounting purposes of \$21.1 million, which is included in deferred inflows of resources and is being amortized over the remaining life of the bonds through May 2040.

#### Fiscal Year 2019

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

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

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

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



**Notes to the Financial Statements**  
**June 30, 2020 and 2019**  
(continued)

**d. Principal Maturities and Interest**

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

Fiscal year(s) ending	Principal	Interest	Total
2021	\$ 141,025	\$ 356,731	\$ 497,756
2022	163,160	349,958	513,118
2023	168,840	342,127	510,967
2024	185,815	333,989	519,804
2025	199,450	324,615	524,065
2026 - 2030	1,183,135	1,458,383	2,641,518
2031 - 2035	1,572,635	1,119,400	2,692,035
2036 - 2040	1,988,675	683,636	2,672,311
2041 - 2045	1,059,720	264,178	1,323,898
2046 - 2049	500,715	50,055	550,770
Total	<u>\$ 7,163,170</u>	<u>\$ 5,283,072</u>	<u>\$ 12,446,242</u>

**e. Build America Bonds (BABs)**

LAX subordinate revenue bonds 2009 Series C and 2010 Series C with par amounts of \$307.4 million and \$59.4 million, respectively, were issued as federally taxable BABs under the American Recovery and Reinvestment Act of 2009. LAWA receives a direct federal subsidy payment in the amount equal to 35% of the interest expense on the BABs. The automatic cuts in spending (referred to as “sequestration”) for the federal fiscal years ending September 30, 2020 and September 30, 2019 reduced the subsidy. The interest subsidy on the BABs was \$7.2 million in fiscal year 2020 and \$7.3 million in fiscal year 2019. The BABs rates were 5.9% and 6.2% for fiscal years 2020 and 2019, respectively. The subsidy is recorded as a non-capital grant, a component of other nonoperating revenue.

**f. Other Significant Obligations**

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

**Commercial Paper Reimbursement Agreements**

The commercial paper reimbursement agreements contain a provision that upon the occurrence of an event of default by LAX, the applicable letter of credit (LOC) bank can, at its option, declare all obligations of LAX under the LOC to be immediately due and payable. This provision terminated on September 10, 2020, and is not included in the new Reimbursement Agreements entered into on September 9, 2020 with Barclays Bank PIC, Sumitomo Mitsui Banking Corporation, and Bank of America, N.A. Additional information on the New Reimbursement Agreements can be found in Note 17 of the notes to the financial statements.

**APM Agreement**

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

**ConRAC Agreement**

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



**Notes to the Financial Statements**  
**June 30, 2020 and 2019**  
 (continued)

**7. Changes in Long-Term Liabilities**

LAWA had the following long-term liabilities activities for fiscal year ended June 30, 2020 (amounts in thousands):

	Balance at			Balance at June 30, 2020	Current Portion
	July 1, 2019	Additions	Reductions		
Revenue bonds	\$ 7,140,000	\$ 1,150,150	\$ (1,126,980)	\$ 7,163,170	\$ 141,025
Unamortized premium	702,777	310,258	(71,657)	941,378	—
Net revenue bonds	7,842,777	1,460,408	(1,198,637)	8,104,548	141,025
Accrued employee benefits	49,682	13,723	(5,465)	57,940	5,794
Estimated claims payable	94,887	15,198	(9,326)	100,759	9,065
Net pension liability	786,765	34,800	—	821,565	—
Net OPEB liability	79,037	—	(9,428)	69,609	—
Other long-term liabilities	886	—	—	886	—
<b>Total</b>	<b>\$ 8,854,034</b>	<b>\$ 1,524,129</b>	<b>\$ (1,222,856)</b>	<b>\$ 9,155,307</b>	<b>\$ 155,884</b>

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

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



## Notes to the Financial Statements

June 30, 2020 and 2019

(continued)

### 8. Leases and Agreements

#### a. Operating Leases and Agreements As Lessor

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

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

#### Passenger Airline Temporary Relief Program

On April 9, 2020, the Board adopted a temporary terminal and airfield fee relief program with respect to passenger airlines serving LAX (Passenger Airline Temporary Relief Program). The Passenger Airline Temporary Relief Program permits eligible passenger air carriers subject to a terminal lease or the Airport Terminal Tariff to apply for relief. Key elements of the Passenger Airline Temporary Relief Program are as follows:

- Deferral of terminal and airfield fees payable from April through May 2020.
- All airlines were required to start repayment of any deferred amounts on July 1, 2020. For airlines that were a party to an Amended and Restated Rate Agreement by July 31, 2020, repayment of the deferred amounts will be required to be made over a six-month period, starting July 1, 2020 to be paid in equal monthly installments, and for airlines that were not party to an Amended and Restated Rate Agreement by July 31, 2020, the remaining deferred amounts must be fully repaid on or before August 1, 2020.
- On June 18, 2020, the Board approved keeping landing fees and apron fees unchanged through calendar year 2020.

As of June 30, 2020, the amount of deferred airline rents and fees included in accounts receivable was approximately \$93.0 million.

#### Concessionaires and Services Temporary Relief Program

On April 16, 2020, the Board adopted a fee relief program for LAX concessionaires and service providers at LAX (Concessionaires and Services Temporary Relief Program). The Concessionaires and Services Temporary Relief Program permits concessionaires and service providers to apply for relief. Key elements of the Concessionaires and Services Temporary Relief Program are as follows:

For the duration period beginning April 1, 2020 to June 30, 2020 (Duration Period):

- LAWA only required payment of the specific percentage fees defined in each concessionaire or service provider agreement instead of the specific minimum annual guarantee (MAG), and, if applicable, deferred receipt of in-terminal concession storage rent.

- In the case of off-airport rental car companies, LAWA only required payment of the lesser of (i) 10% of gross sales, or (ii) the specified license fee.
- Accrued amounts are required to be remitted in six equal monthly installments beginning July 1, 2020, with no late fees or interest charges on amounts paid in full within this six-month payment period.

As of June 30, 2020, the amount of outstanding deferred concessionaires' payments included in accounts receivable was approximately \$3.0 million.

#### Second Relief Program

On October 1, 2020, the Board approved the Second Letter Agreements for the Concessionaire Relief Program that amends concession agreements at LAX as follows:

- abate or adjust the MAG through June 30, 2021 for certain concession agreements (collectively Concession Agreements),
- defer storage rent through December 31, 2020 and allow the payback of deferred storage rent to commence January 1, 2021 for certain concession agreements (collectively In-Terminal Concession Agreements),
- extend the current expiration dates of the respective individual In-Terminal Concession Agreements (as conditioned in the applicable Second Letter Agreements) and Terminal Media Operator Agreement (TMO Agreement) by twenty-four months, and
- authorize the Chief Executive Officer to have two consecutive twelve-month options to delay the required mid-term refurbishment dates for the respective individual In-Terminal Concession Agreements in his or her sole discretion.

The agreements provide for a concession fee equal to the greater of a MAG or a percentage of gross revenues. Certain agreements are subject to escalation of the MAG. For the fiscal years ended June 30, 2020 and 2019, revenues from such agreements were \$279.8 million and \$380.2 million, respectively. The respective amounts over MAG were \$81.8 million and \$110.7 million. Future rents for fiscal year 2021 are estimated in accordance with the Concessionaires and Services Temporary Relief Program offered to concessionaires, which only require payment of the specific percentage fees instead of the specific MAG as defined in the agreements. Future rents over the fiscal years 2022 to 2025 are estimated based on the specific MAG in the agreements. The estimated future rents are as follows (amount in thousands):

Fiscal year ending	Amount
2021	\$ 7,198
2022	138,721
2023	132,307
2024	95,586
2025	95,586
Total	<u>\$ 469,398</u>



## Notes to the Financial Statements

June 30, 2020 and 2019

(continued)

On March 1, 2012, LAWA and URW, LLC (URW) (formerly Westfield Airports, LLC.) entered into a Terminal Commercial Management Concession Agreement (3-1-12 Agreement) for URW to develop, lease, and manage retail, food and beverage and certain passenger services in specified locations at the Tom Bradley International Terminal (TBIT) and Terminal 2 at LAX for a term of 17 years consisting of two-year development period and fifteen-year operational period. Since then, the Terminal 2 portion has been amended with an expiration date the same as the TBIT portion, which is no later than January 31, 2032. URW will select concessionaires subject to LAWA approval. Concession agreements awarded by URW shall have a term no longer than ten years. The agreement requires URW and its concessionaires to invest no less than \$81.9 million in initial improvements and \$16.4 million in mid-term refurbishments. Such improvements are subject to LAWA approval. The initial non-premises improvements, as defined, shall be acquired by and become the property of LAWA by cash payment to URW or the issuance of rent credit.

Under the 3-1-12 Agreement, the MAG will be adjusted each year by the greater of (a) \$210 per square foot escalated by the Consumer Price Index, but not greater than 2.5% for any year, or (b) 85% of the prior year's Percentage Rent (as defined) paid to LAWA beginning January 1, 2014. For any year in which the number of enplaned passengers in TBIT and Terminal 2 is (a) less than the 2011 passenger enplanements, or (b) less than 90% of the prior year's passenger enplanements in these terminals, an additional adjustment to the MAG is calculated on a retroactive basis.

On June 22, 2012, LAWA and URW entered into another Terminal Commercial Management Concession Agreement (6-22-12 Agreement) for URW to develop, lease, and manage retail, food and beverage and certain passenger services in specified locations at the Terminals 1, 3, and 6 at LAX. The term of this agreement is 17 years consisting of two-year development period and fifteen-year operational period. Under this agreement, the expiration dates of Terminal 1, 3, and 6 are June 30, 2032, June 30, 2029, and September 30, 2030, respectively. URW will select concessionaires subject to LAWA approval. Concession agreements awarded by URW shall have a term no longer than ten years. The agreement requires URW and its concessionaires to invest no less than \$78.6 million in initial improvements and \$15.7 million in mid-term refurbishments. Such improvements are subject to LAWA approval. The initial non-premises improvements, as defined, shall be acquired by and become the property of LAWA by cash payment to URW or the issuance of rent credit.

Under the 6-22-12 Agreement, the MAG will be adjusted each year by the greater of (a) \$240 per square foot escalated by the Consumer Price Index, but not greater than 2.5% for any year, or (b) 85% of the prior year's Percentage Rent (as defined) paid to LAWA. For any year in which the number of enplaned passengers in Terminals 1, 3, and 6 is (a) less than the 2011 passenger enplanements, or (b) less than 90% of the prior year's passenger enplanements in these terminals, an additional adjustment to the MAG is calculated on a retroactive basis beginning January 1, 2014.

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

On October 1, 2020, the Board approved to extend the URW agreements expiration dates for an additional 24 months to January 31, 2034 for LAA-8613 and Terminal 1 under LAA-8640, June 30, 2031 for Terminal 3 under LAA-8640, and September 30, 2032 for Terminal 6 under LAA-8640.

Future rents under these two agreements with URW for fiscal year 2021 are estimated in accordance with the Concessionaires and Services Temporary Relief Program offered to URW, which only require payment of the specific percentage fees instead of the specific MAG as defined in the agreements. Future rents under these two agreements with URW over the fiscal years 2022 to 2025 are estimated based on the specific MAG in the agreements. The estimated future rents are as follows (amount in thousands):

Fiscal year ending	Amount
2021	\$ 3,366
2022	30,646
2023	31,412
2024	32,197
2025	33,409
Total	<u>\$ 131,030</u>

LAWA also leases land and terminal facilities to certain airlines and others. The terms of these long-term leases range from less than 10 years to 40 years and generally expire between 2021 and 2024. Certain airlines and consortium of airlines at LAX also pay maintenance and operating charges (M&O Charges) that include direct and indirect costs allocated to all passenger terminal buildings, other related and appurtenant facilities, and associated land. Rates for M&O Charges are set each calendar year based on the actual audited M&O Charges for the prior fiscal year ending June 30. The land and terminal lease agreements are accounted for as operating leases. For the fiscal years ended June 30, 2020 and 2019, revenues from these leases were \$707.3 million and \$720.2 million, respectively.

Future rents under these land and terminal lease agreements over the next five years were based on the assumption that current agreements are carried to contractual termination. The estimated future rents are as follows (amounts in thousands):

Fiscal year ending	Amount
2021	\$ 523,407
2022	447,525
2023	391,057
2024	345,425
2025	283,211
Total	<u>\$ 1,990,625</u>



**Notes to the Financial Statements**  
**June 30, 2020 and 2019**  
 (continued)

The carrying cost and the related accumulated depreciation of property held for operating leases as of June 30, 2020 and 2019 are as follows (amounts in thousands):

	2020	2019
Buildings and facilities	\$ 6,246,705	\$ 6,208,199
Accumulated depreciation	(1,530,118)	(1,278,883)
Net	4,716,587	4,929,316
Land	626,715	626,715
Total	<u>\$ 5,343,302</u>	<u>\$ 5,556,031</u>

**b. Lease Obligations**

LAWA leases office spaces under operating lease agreements that expire through 2032. Lease payments for the fiscal years ended June 30, 2020 and 2019 were \$7.7 million for both years. Future minimum lease payments under the agreements are as follows (amounts in thousands):

Fiscal year(s) ending	Amount
2021	\$ 7,319
2022	7,033
2023	7,129
2024	7,235
2025	7,343
2026-2030	12,523
2031-2035	3,928
Total	<u>\$ 52,510</u>



## Notes to the Financial Statements

June 30, 2020 and 2019

(continued)

### 9. Passenger Facility Charges

Passenger Facility Charges (PFCs) are fees imposed on enplaning passengers by airports to finance eligible airport related projects that preserve or enhance safety, capacity, or security of the national air transportation system; reduce noise or mitigate noise impacts resulting from an airport; or furnish opportunities for enhanced competition between or among carriers. Both the fee and the intended projects are reviewed and approved by the Federal Aviation Administration (FAA). Airlines operating at LAX have been collecting PFCs on behalf of LAWA. PFCs are recorded as nonoperating revenue and presented as restricted assets in the financial statements. The current PFCs at LAX is \$4.50 per enplaned passenger. PFCs collection authorities approved by FAA are \$6.0 billion and \$4.3 billion at LAX as of June 30, 2020 and 2019, respectively. LAWA has received approval from the FAA to collect and use PFCs to pay for debt service on bonds issued to finance the TBIT Renovations, Bradley West projects and Terminal 6 improvements. Board authorized amounts of \$144.7 million and \$147.7 million were used for debt service in fiscal years 2020 and 2019, respectively.

The following is a summary of LAX projects approved by FAA as of June 30, 2020 and 2019 (amounts in thousands):

	2020	2019
Terminal development	\$ 4,891,679	\$ 3,141,679
Noise mitigation	1,057,476	1,042,079
Airfield development and equipment	83,620	83,620
Total	<u>\$ 6,032,775</u>	<u>\$ 4,267,378</u>

LAX's PFCs collected and the related interest earnings through June 30, 2020 and 2019 were as follows (amounts in thousands):

	2020	2019
Amount collected	\$ 2,744,928	\$ 2,626,905
Interest earnings	228,129	220,660
Total	<u>\$ 2,973,057</u>	<u>\$ 2,847,565</u>

LAX's cumulative expenditures on approved PFCs projects totaled \$2.6 billion and \$2.5 billion for fiscal years 2020 and 2019, respectively.

### 10. Customer Facility Charges

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

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

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

	2020	2019
Amount collected	\$ 468,297	\$ 402,676
Interest earnings	36,639	27,689
Subtotal	504,936	430,365
Expenditures		
ConRAC planning, design and construction	83,683	3,026
Unexpended CFCs revenue and interest earnings	<u>\$ 421,253</u>	<u>\$ 427,339</u>

LAWA is in the early 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 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 \$80.7 million in fiscal year 2020 and none in fiscal year 2019. LAWA's cumulative expenditures on approved CFCs projects totaled \$83.7 million for fiscal years 2020 and \$3.0 million in 2019.



## 11. Capital Grant Contributions

Contributed capital related to government grants and other aid totaled \$105.3 million and \$36.3 million in fiscal years 2020 and 2019, respectively. Capital grant funds are primarily provided by the FAA Airport Improvement Program and Transportation Security Administration.

As previously mentioned, on March 27, 2020, the CARES Act was signed into law, which, among other things, allocates funds to eligible airports, provided they take particular steps, including with respect to keeping their workforces intact. Airport operators can use their awarded CARES Act grants to pay for any purpose for which airport revenues can lawfully be used, including, but not limited to, the payment of maintenance and operation expenses on or after January 20, 2020, and the payment of debt service on or after March 27, 2020. CARES Act grants must be used within four years from the date on which the agreement between the airport operator and the FAA is executed, and airport operators using CARES Act grants must comply with certain other obligations, including, but not limited to, employing at least 90.0% of their staff as of March 27, 2020 through December 31, 2020.

LAWA was awarded CARES Act grants in the amount of approximately \$323.6 million for LAX and approximately \$157,000 for VNY, payable on a reimbursement basis. LAWA's primary objective with the CARES Act funding will be to address near-term pressure caused by the COVID-19 pandemic, including maintenance of debt service coverage levels consistent with current ratings levels, mitigation of the reduction in revenues, continued funding of ongoing capital development projects and maintenance of operating cash on hand in fiscal years 2020 and 2021. LAWA has drawn approximately \$52.4 million of CARES Act moneys in fiscal year 2020 to stabilize cost increases in airline rates at LAX, while preserving the majority of the funds, approximately \$271.2 million, for fiscal year 2021. The drawn amount of \$52.4 million was recognized as grants revenue in fiscal year 2020. CARES Act grants in the amount of \$42.7 million was used to apply against debt service payments and \$9.7 million was used to apply against LAX maintenance and operation expenses.

## 12. Related Party Transactions

The City provides services to LAWA such as construction and building inspection, fire and paramedic, police, water and power, and certain administrative services. The costs for these services for fiscal years ended June 30, 2020 and 2019 were \$122.2 million and \$126.2 million, respectively.

LAWA collects parking taxes at LAX on behalf of the City's General Fund. The parking taxes collected and remitted during each of fiscal years 2020 and 2019 were \$11.1 million and \$11.5 million, respectively.

In December 2009, two cases were settled that related to FAA's audit findings of improper payments by LAWA to the City General Fund. The cases involved compliance review by FAA of the transfer of LAWA revenue funds to the City General Fund for the implementation of a joint strategic international marketing alliance, and the legality of the transfer of \$43.0 million out of approximately \$58.0 million representing condemnation proceeds received for certain City-owned property taken by the State for use in the construction of the Century Freeway. The settlement calls for a series of semi-annual payments over ten years through June 30, 2019 by the City General Fund to LAWA totaling \$17.7 million plus 3.0% interest for a total of \$21.3 million. The installment payments will be offset against billings for actual cost of services provided by the City General Fund to LAWA. The City General Fund has fully paid this liability with the last installment payment made in fiscal year 2019.

## 13. Pension Plan

### I. Los Angeles City Employees' Retirement System

#### a. General Information

##### *Plan Description*

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



**Notes to the Financial Statements**  
**June 30, 2020 and 2019**  
(continued)

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, 2019 and June 30, 2018, respectively, were as follows: (Note: information for fiscal year 2020 is not yet available as of this report issue date.)

	2019	2018
Active		
Vested	17,812	18,460
Non-vested	8,820	7,582
	<u>26,632</u>	<u>26,042</u>
Inactive		
Non-vested	6,149	5,158
Terminated entitled to benefits, not yet receiving benefits	2,439	2,870
Retired	20,034	19,379
	<u>28,622</u>	<u>27,407</u>
Total	<u>55,254</u>	<u>53,449</u>

**Member Contributions**

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

**Employer Contributions**

The City contributes to the retirement plan based upon actuarially determined contribution rates adopted by the Board of Administration. Employer contribution rates are adopted annually based upon recommendations received from LACERS actuary after the completion of the annual actuarial valuation. The average employer contribution rates were 23.06% and 22.21% of compensation as of June 30, 2019 (based on the June 30, 2017 valuation) and June 30, 2018 (based on the June 30, 2016 valuation), respectively. (Note: information for fiscal year 2020 is not yet available as of this report issue date).



**Notes to the Financial Statements**  
**June 30, 2020 and 2019**  
(continued)

The total City contributions to LACERS of \$817.2 million and \$719.2 million for the years ended June 30, 2020 and June 30, 2019, respectively, consisted of the following (amounts in thousands):

	2020	2019
Required contributions - Retirement Plan	\$ 553,118	\$ 478,717
Family death benefit Plan	104	110
Total City contributions	553,222	478,827
Member contributions - Retirement Plan	263,936	240,357
Total	<u>\$ 817,158</u>	<u>\$ 719,184</u>

The required City contribution of \$553.1 million was equal to 100% of the actuarially determined employer contribution. Member contributions of \$263.9 million were made toward the retirement and voluntary family death benefits for fiscal year 2020.

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

**LAWA's Contributions to the Pension Plan**

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

	2020	2019
LAWA's required contributions to the Pension Plan	<u>\$ 74,396</u>	<u>\$ 65,746</u>

The LAWA contributions made to the Pension Plan under the required contribution category in the amounts of \$74.4 million and \$65.7 million for fiscal years 2020 and 2019, 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 2020 was measured as of June 30, 2019 and determined based upon the Plan Fiduciary Net Position (FNP) and Total Pension Liability (TPL) from actuarial valuation as of June 30, 2019.

The Pension Plan's fiduciary net position has been determined on the same basis used by the Pension Plan and the plans basis of accounting, including policies with respect to benefit payments and valuation of investments. Detailed information about LACERS net position is available in the separately issued LACERS financial reports, which can be found on the LACERS website.

As of the reporting date June 30, 2020 (measurement date of June 30, 2019), LAWA reported its proportionate shares of TPL, FNP and NPL as follows (amounts in thousands):

	Reporting date 6/30/20 Measurement date 6/30/19
<b>LAWA's proportionate share:</b>	
Total Pension Liability	\$ 2,852,234
Plan Fiduciary Net Position	(2,032,238)
Net Pension Liability	<u>\$ 819,996</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	71.25%

LAWA's NPL was measured as the proportionate share of the NPL based on the employer contributions made by LAWA during fiscal year 2019. The NPL was measured as of June 30, 2019 and determined based upon the Pension Plan's FNP (plan assets) and TPL from actuarial valuations as of June 30, 2019.

Change in LAWA's proportionate share of the NPL as of June 30, 2020 (measurement date June 30, 2019) and 2019 (measurement date June 30, 2018) was as follows (amounts in thousands):

	NPL	Proportion
Proportion - Reporting date June 30, 2020 (measurement date June 30, 2019)	\$ 819,996	13.72%
Proportion - Reporting date June 30, 2019 (measurement date June 30, 2018)	\$ 785,272	13.75%
Change - Increase (decrease)	\$ 34,724	(0.03)%



**Notes to the Financial Statements**  
**June 30, 2020 and 2019**  
(continued)

For the year ended June 30, 2020, LAWA recognized pension expense of \$112.6 million. At June 30, 2020, LAWA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following resources (amounts in thousands):

	Deferred outflows of resources	Deferred inflows of resources
Pension contributions subsequent to measurement date	\$ 74,396	\$ —
Differences between expected and actual experience	12,232	24,686
Changes of assumptions	60,644	—
Net difference between projected and actual earnings on pension plan investments	—	6,768
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,352	5,608
<b>Total</b>	<b>\$ 149,624</b>	<b>\$ 37,062</b>

\$74.4 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, 2021. 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
2021	\$ 15,018
2022	(858)
2023	14,947
2024	9,059
2025	—

**Actuarial Assumptions**

The total pension liability as of June 30, 2020 was determined by actuarial valuation as of June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

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



**Notes to the Financial Statements**  
**June 30, 2020 and 2019**  
(continued)

**Discount Rate**

The discount rates used to measure the total pension liability was 7.25% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employee and employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the Pension Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2020.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation, and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

Asset Class	Target Allocation	Arithmetic Long-Term Expected Real Rate of Return
U.S. Large Cap Equity	14.00%	5.30%
U.S. Small Cap Equity	5.00	6.10
Developed International Large Cap Equity	17.00	6.70
Developed International Small Cap Equity	3.00	7.10
Emerging Market Equity	7.00	8.90
Core Bonds	13.75	1.00
High Yield Bonds	2.00	3.10
Bank Loans	2.00	3.00
Emerging Market Debt	4.50	3.40
Private Debt	3.75	5.50
Private Real Estate	7.00	4.70
Real Estate Investment Trust	0.50	5.90
Treasury Inflation Protected Securities	3.50	1.00
Commodities	1.00	3.40
Public Real Assets	1.00	4.80
Private Equity	14.00	9.00
Cash	1.00	0.00
<b>Total</b>	<b>100.00%</b>	

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

The following presents LAWA's proportionate share of the NPL as of June 30, 2020, calculated using the discount rate of 7.25%, as well as what LAWA's proportionate share of NPL would be if it were calculated using a discount rate that is 1 percentage point lower (6.25%) or 1 percentage point higher (8.25%) than the current rate (amounts in thousands):

	June 30, 2020
1% decrease	6.25%
Net Pension Liability	\$1,206,744
Current discount rate	7.25%
Net Pension Liability	\$819,996
1% increase	8.25%
Net Pension Liability	\$501,067



**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 2019 and 2018, the average employer contribution rates for pension benefits are 26.63% and 25.73%, respectively, of covered payroll. LAWA has made 100% of the actuarially determined contributions for both fiscal years.

**LAWA’s Contributions to the LAFPP Plan**

In fiscal year 2020, LAWA’s contribution rate for the APO that are members of the LAFPP Tier 6 plan, as determined by the actuary was 27.49% of covered payroll. Based on LAWA’s reported covered payroll of \$6.1 million for Tier 6, LAWA’s pro rata share of the combined actuarially determined contribution for pension and postemployment healthcare benefits, and actual contribution made to LAFPP was \$1.7 million. In fiscal year 2019, LAWA’s contribution rate for the APO that are members of the LAFPP Tier 6 plan, as determined by the actuary was 27.54% of covered payroll. Based on LAWA’s reported covered payroll of \$4.9 million for Tier 6, LAWA’s pro rata share of the combined actuarially determined contribution for pension and postemployment healthcare benefits, and actual contribution made to LAFPP was \$1.3 million.

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

At June 30, 2020, LAWA recognized its proportionate shares of NPL of \$1.6 million and pension expense of \$1.3 million for the LAFPP plan. LAWA also reported deferred outflows of resources and deferred inflows of resources related to pensions for the LAFPP plan from the following resources (amounts in thousands):

	Deferred outflows of resources	Deferred inflows of resources
Pension contributions subsequent to measurement date	\$ 1,207	\$ —
Differences between expected and actual experience	1,672	14
Changes of assumptions	278	—
Net difference between projected and actual earnings on pension plan investments	—	101
<b>Total</b>	<b>\$ 3,157</b>	<b>\$ 115</b>

\$1.2 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, 2021.



**14. Other Postemployment Benefit Plan (OPEB)**

**I. Los Angeles City Employees' Retirement System**

**a. General Information**

**Plan Description**

Los Angeles City Employees' Retirement System (LACERS) provides other postemployment health care benefits under a Postemployment Health Care Plan to eligible retirees and their eligible spouses/domestic partners who participate in the Pension Plan. Benefits and benefit changes are established by ordinance and approved by the City Council and the Mayor. Under Division 4, Chapter 11 of the City's Administrative Code, certain retired employees are eligible for a health insurance premium subsidy. This subsidy is to be funded entirely by the City. These benefits may also extend to the coverage of other eligible dependent(s). To be eligible for health care benefits, member must: 1) be at least age 55; 2) had at least 10 whole years of service with LACERS; and 3) enrolled in a System-sponsored medical or dental plan or are a participant in the Medical Premium Reimbursement Program (MPRP). Retirees and surviving spouses/domestic partners can choose from the health plans that are available, which include medical, dental, and vision benefits, or participate in the MPRP if he/she resides in an area not covered by the available medical plans. Retirees and surviving spouses/domestic partners receive medical subsidies based on service years and service credit. The dental subsidies are provided to the retirees only, based on service years and service credit.

LACERS' publicly issued financial report, which covers both pension benefits and other postemployment benefits, may be obtained by writing or calling: Los Angeles City Employees' Retirement System, 202 W. First Street, Suite 500, Los Angeles, CA 90012-4401, (800) 779-8328 or LACERS' website <http://lacers.org/aboutlacers/reports/index.html>. As a City department, LAWA shares in the risks and costs with the City. LAWA presents the related OPEB benefit disclosures as a participant in a single employer plan of the City on a cost-sharing basis. As of the report date of LAWA's financial statements, LACERS' financial statements and the OPEB's actuarial valuation study for fiscal year 2019 are not yet available.

**Benefits Provided**

The maximum subsidies are set annually by the LACERS Board of Administration. Both Tier 1 and Tier 3 members will be eligible for 40% of maximum medical plan premium subsidy for 1 – 10 whole years of service credit, and the eligible members earn 4% per year of service credit for their annual medical subsidy accrual after 10 years of service. Eligible spouses/domestic partners of Pension Plan members are entitled to LACERS' postemployment health care benefits after the retired member's death. During fiscal year 2011, the City adopted an ordinance (Subsidy Cap Ordinance) to limit the maximum medical subsidy at \$1,190 for those members who retire on or after July 1, 2011; however, members who at any time prior to retirement made additional contributions are exempted from the subsidy cap and obtain a vested right to future increases in the maximum medical subsidy at an amount not less than the dollar increase in the Kaiser two-party non-Medicare Part A and Part B premium. As of June 30, 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, 2019 and June 30, 2018, the components of membership, excluding non-participating retirees and surviving spouses of LACERS postemployment healthcare benefits were as follows: (Note: information for fiscal year 2020 is not yet available as of this report issue date.)

	2019	2018
Retirement members/Surviving spouses <sup>(1)</sup>	15,791	15,144
Vested terminated members entitled to, but not yet receiving benefits <sup>(2)</sup>	1,474	1,401
Active members	26,632	26,042
<b>Total</b>	<b>43,897</b>	<b>42,587</b>

(1) Total participants including married dependents and dependent children receiving benefits were 21,115 and 20,288 as of June 30, 2019 and 2018, respectively.

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

**Employer Contributions**

The Los Angeles City Charter Sections 1158 and 1160 require periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate the required assets to pay benefits when due. The required contribution rate for the Postemployment Health Care Plan for the fiscal year ended June 30, 2019, was 5.10% of covered payroll, determined by the June 30, 2017 actuarial valuation. The required contribution rate for the Postemployment Health Care Plan for the fiscal year ended June 30, 2018, was 4.92% of covered payroll, determined by the June 30, 2016 actuarial valuation. (Note: information for fiscal year 2020 is not yet available as of this report issue date.)

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



**Notes to the Financial Statements**  
**June 30, 2020 and 2019**  
(continued)

The total OPEB contributions to LACERS for the years ended June 30, 2019 and 2018 was \$107.9 million and \$100.9 million, respectively, representing 100% of the actuarially determined contribution of the employer as defined by GASB Statement No. 74<sup>5</sup>. (Note: information for fiscal year 2020 is not yet available as of this report issue date.)

**LAWA's Contributions to the Postemployment Health Care Plan**

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

	2020	2019
LAWA's required contributions to the Postemployment Health Care Plan	\$ 14,482	\$ 14,434

LAWA's contributions made for the Postemployment Health Care Plan, in the amounts of \$14.5 million and \$14.4 million for fiscal years 2020 and 2019, 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<sup>6</sup>.

<sup>5</sup> GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, issued in June 2015

<sup>6</sup> GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, issued in June 2015



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

LACERS' Net OPEB Liability (NOL) for fiscal year 2020 was measured as of June 30, 2019 and determined based upon the Plan Fiduciary Net Position (FNP) and Total OPEB Liability (TOL) from actuarial valuation as of June 30, 2019.

As of the reporting date June 30, 2020 (measurement date of June 30, 2019), LAWA reported its proportionate shares of TOL, FNP and NOL as follows (amounts in thousands):

	Reporting date 6/30/20 Measurement date 6/30/19
<b>LAWA's proportionate share:</b>	
Total OPEB Liability	\$ 440,660
Plan Fiduciary Net Position	(371,646)
Plan's Net OPEB Liability	\$ 69,014
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	84.34%

LAWA's NOL was measured as the proportionate share of the NOL based on the employer contributions made by LAWA during fiscal year 2019. The NOL was measured as of June 30, 2019 and determined based upon the Postemployment Health Care Plan's FNP (plan assets) and TOL from actuarial valuations as of June 30, 2019.

Change in LAWA's proportionate share of the NOL as of June 30, 2020 (measurement date June 30, 2019) and 2019 (measurement date June 30, 2018) was as follows (amounts in thousands):

	NOL	Proportion
Proportion - Reporting date June 30, 2020 (measurement date June 30, 2019)	\$ 69,014	13.22%
Proportion - Reporting date June 30, 2019 (measurement date June 30, 2018)	\$ 78,324	13.49%
Change - (Decrease)	\$ (9,310)	(0.27)%



**Notes to the Financial Statements**  
**June 30, 2020 and 2019**  
(continued)

For the year ended June 30, 2020, LAWA recognized the Postemployment Health Care Plan's OPEB expense of \$9.8 million. At June 30, 2020, LAWA reported deferred outflows of resources and deferred inflows of resources related to the Postemployment Health Care Plan from the following resources (amounts in thousands):

	Deferred outflows of resources	Deferred inflows of resources
OPEB contributions subsequent to measurement date	\$ 14,482	\$ —
Differences between expected and actual experience	1,379	15,534
Changes of assumptions	14,558	—
Net difference between projected and actual earnings on OPEB plan investments	—	12,884
Changes in proportion and differences between employer contributions and proportionate share of contributions	—	2,864
<b>Total</b>	<b>\$ 30,419</b>	<b>\$ 31,282</b>

\$14.5 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, 2021. 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
2021	\$ (5,979)
2022	(5,979)
2023	(1,532)
2024	276
2025	(1,623)
2026	(508)

**Actuarial Assumptions**

The total OPEB liability as of June 30, 2020 was determined by actuarial valuation as of June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

Date of Experience Study	June 30, 2017 (July 1, 2014 through June 30, 2017)
Long-Term Expected Rate of Return	7.25%
Inflation	3.00%
Projected Salary Increases	Range from 3.90% to 10.00% based on years of service, including inflation
Mortality Table for Retirees and Beneficiaries	Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table projected generationally with the two-dimensional mortality improvement scale MP-2017.
Mortality Table for Disabled Retirees	Headcount-Weighted RP-2014 Disabled Retiree Mortality Table projected generationally with the two-dimensional mortality improvement scale MP-2017.
Marital Status	60% of male and 35% of female retirees who receive a subsidy are assumed to be married or have a qualified domestic partner and elect dependent coverage.
Spouse Age Difference	Male retirees are assumed to be four years older than their female spouses. Female retirees are assumed to be two years younger than their male spouses.
Health Care Cost Trend Rates	Medical Premium Trend Rates to be applied in the following fiscal years, to all health plans. Trend Rate is to be applied to the premium for shown fiscal year to calculate next fiscal year's projected premium.

Medical Premium Trend Rates to be applied to fiscal year 2020 are:

First Fiscal Year (July 1, 2019 through June 30, 2020)

Carrier	Under Age 65	Age 65 & Over
Kaiser HMO	3.37%	3.12%
Anthem Blue Cross HMO	7.89%	N/A
Anthem Blue Cross PPO	3.40%	3.88%
UHC Medicare HMO	N/A	3.96%

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

Medicare Part B Premium Trend for fiscal year 2020 was calculated based on the actual increase in premium from 2019 to 2020. 4.00% for years following the 2020 calendar year.



**Notes to the Financial Statements**  
**June 30, 2020 and 2019**  
(continued)

**Discount Rate**

The discount rates used to measure the total OPEB liability, 7.25% as of June 30, 2019, was the long-term expected rate of return on the LACER Plan's investments.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rate of return for each major asset class, after deducting inflation, but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized as follows:

Asset Class	Target Allocation	Arithmetic Long-Term Expected Real Rate of Return
U.S. Large Cap Equity	14.00%	5.30%
U.S. Small Cap Equity	5.00	6.10
Developed International Large Cap Equity	17.00	6.70
Developed International Small Cap Equity	3.00	7.10
Emerging Market Equity	7.00	8.90
Core Bonds	13.75	1.00
High Yield Bonds	2.00	3.10
Bank Loans	2.00	3.00
Emerging Market Debt	4.50	3.40
Private Debt	3.75	5.50
Private Real Estate	7.00	4.70
Real Estate Investment Trust	0.50	5.90
Treasury Inflation Protected Securities	3.50	1.00
Commodities	1.00	3.40
Public Real Assets	1.00	4.80
Private Equity	14.00	9.00
Cash	1.00	0.00
<b>Total</b>	<b>100.00%</b>	

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, 2020.

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

The following presents LAWA's proportionate share of the net OPEB liability as of June 30, 2020, calculated using the discount rate of 7.25%, as well as what LAWA's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate (amounts in thousands):

	June 30, 2020
1% decrease	6.25%
Net OPEB Liability	\$132,171
Current discount rate	7.25%
Net OPEB Liability	\$69,014
1% increase	8.25%
Net OPEB Liability	\$17,420

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

The following presents LAWA's proportionate share of the net OPEB liability as of June 30, 2020, as well as what LAWA's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current trend rate<sup>7</sup> (amounts in thousands):

	June 30, 2020
1% decrease	
Net OPEB Liability	\$10,686
Current Healthcare Cost Trend Rates	
Net OPEB Liability	\$69,014
1% increase	
Net OPEB Liability	\$145,549

<sup>7</sup>Current healthcare cost trend rates: 6.62% graded down to 4.50% over 9 years for Non-Medicare medical plan costs, and 6.12% graded down to 4.50% over 7 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.



**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, 2020, LAWA recognized its proportionate shares of NOL of \$0.6 million and OPEB expense of \$0.5 million for the LAFPP plan. LAWA also reported deferred outflows of resources and deferred inflows of resources related to OPEB for the LAFPP plan from the following resources (amounts in thousands):

	Deferred outflows of resources	Deferred inflows of resources
OPEB contributions subsequent to measurement date	\$ 481	\$ —
Differences between expected and actual experience	510	237
Changes of assumptions	127	—
Net difference between projected and actual earnings on OPEB plan investments	—	13
Total	<u>\$ 1,118</u>	<u>\$ 250</u>

\$0.5 million reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the NOL in the year ending June 30, 2021.

**15. Risk Management**

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

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

LAWA carries employment practices liability insurance coverage of \$10.0 million for protection against employment-related losses, including coverage for defense costs and damages. LAWA is self-insured for up to \$2.5 million for employment practices liability losses. LAWA carries cyber liability insurance with coverage limits of \$30.0 million for protection against cyber liability risks and technology errors and omissions. LAWA maintains a self-insured retention of \$100,000 for cyber liability coverage.

Additionally, LAWA maintains catastrophic loss fund for claims or losses that may exceed insurance policy limits or where insurance is not available or viable. Commercial insurance is used where it is legally required, contractually required, or judged to be the most effective way to finance risk. LAWA also monitors contractual transfer of risk by and through insurance review and requirements of contractors, tenants, airlines. For fiscal years 2020, 2019, and 2018, no claims were in excess of LAWA's insurance coverage or approached a substantial portion of the overall coverage capacities.

A number of claims/lawsuits were pending against LAWA that arose in the normal course of its operations. LAWA recognizes a liability for claims and judgments when it is probable that an asset has been impaired or a liability has been incurred and the amount of the loss can be reasonably estimated. Outside counsel provides estimates for the amount of liabilities with a probability of occurring from these lawsuits. The probability weighted liability for litigation and other claims for the fiscal years ended June 30, 2020 and 2019 was \$10.1 million.

LAWA is self-insured as part of the City's program for workers' compensation. All workers' compensation cases are processed by LAWA under the City's workers compensation program. Liability and risk are retained by LAWA. The actuarially determined accrued liability for workers' compensation includes provision for incurred but not reported claims and loss adjustment expenses. The present value of the estimated outstanding losses was calculated based on a 3% yield on investments. LAWA's accrued workers' compensation liabilities at June 30, 2020 and 2019 were \$90.7 million and \$84.8 million, respectively.



**Notes to the Financial Statements**  
**June 30, 2020 and 2019**  
(continued)

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

	June 30		
	2020	2019	2018
Balance at beginning of year	\$ 94,887	\$ 98,552	\$ 79,659
Provision for current year's events and changes in provision for prior years' events	15,198	6,860	27,170
Claims payments	(9,326)	(10,525)	(8,277)
Balance at end of year	100,759	94,887	98,552
Current portion	(9,065)	(9,326)	(10,525)
Noncurrent portion	<u>\$ 91,694</u>	<u>\$ 85,561</u>	<u>\$ 88,027</u>

**16. Commitments, Litigations, and Contingencies**

**a. Commitments**

LAWA has commitments for open purchase orders of approximately \$180.1 million and \$138.9 million as of June 30, 2020 and 2019, respectively.

LAWA has commitments to make a series of Milestone Payments according to the terms of contract for Automated People Mover (APM) totaling approximately \$1.1 billion during the construction, based upon the value of work performed and/or its completion of certain design and construction milestones. Total payments of \$353.8 million were made through fiscal year 2020. Subject to certain conditions, additional four APM Milestone Payments are to be made. Additional commitments related to further Availability Payments are subject to project completion.

LAWA has commitments to make a series of Consolidated Rental Car Facility (ConRAC) Milestone/Progress Payments of approximately \$730.0 million during the construction based upon the value of work performed and/or its completion of certain design and construction milestones. Total payments of \$80.7 million were made through fiscal year 2020. Additional commitments related to further Availability Payments are subject to project completion.

LAWA has the following commitments on major construction contracts<sup>8</sup>:

Project	Amount (in millions)
TBIT Core and APM Interface	\$ 262
ITF West	142
Airport Police Facility	106
MSC North Terminals	81
Total	<u>\$ 591</u>

LAWA has the following commitments on major tenant based acquisitions<sup>8</sup>:

Project	Amount (in millions)
Terminals 2/3 Improvement	\$ 1,275
Terminal 1.5 Development	418
Terminals 4/5 Improvement	352
TBIT/MSB Baggage System	251
Terminal 6 Improvement	225
Total	<u>\$ 2,521</u>

<sup>8</sup> Unpaid portion of total commitments.



## Notes to the Financial Statements

June 30, 2020 and 2019

(continued)

### b. Aviation Security

Concerns about the safety and security of airline travel and the effectiveness of security precautions may influence passenger travel behavior and air travel demand, particularly in the light of existing international hostilities, potential terrorist attacks, and world health concerns, including epidemics and pandemics. As a result of terrorist activities, certain international hostilities and risk of violent crime, LAWA has implemented enhanced security measures mandated by the FAA, the Transportation Security Administration (TSA), the Department of Homeland Security and Airport management. Current and future security measures may create significantly increased inconvenience, costs and delays at LAX which may give rise to the avoidance of air travel generally and the switching from air to ground travel modes and may adversely affect LAWA's operations, expenses and revenues. LAX has been the target of a foiled terrorist bombing plot and has been recognized as a potential terrorist target. Recent incidents at United States and international airports underscore this risk. LAX is a high profile public facility in a major metropolitan area. LAWA cannot predict whether LAX or any of LAWA's other airports will be actual targets of terrorists or other violent acts in the future.

### c. Environmental Issues

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

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

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

LAWA'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 benefit calculations. In the event that actual emission reduction is less than the estimated emission reduction projected for these measures, LAWA 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.

## 17. Subsequent Events

On August 27, 2020, LAWA issued \$558.5 million of LAX senior refunding revenue bonds Series 2020B with a premium of \$147.4 million, \$380.0 million of LAX senior revenue bonds Series 2020C with a premium of \$90.6 million, and \$120.0 million of LAX senior revenue bonds Series 2020D with a premium of \$29.1 million. The bonds were issued to refund and defease the LAX senior revenue bonds Series 2010A in the amount of \$316.9 million, the LAX subordinate revenue bonds Series 2010B in the amount of \$134.7 million, and the LAX senior revenue bonds Series 2010D in the amount of \$315.8 million to realize debt service savings; and fund certain capital projects at LAX. This transaction resulted in a cash flow savings of \$388.6 million and an economic gain of \$265.1 million.

On September 3, 2020, the Board approved award of a five-year contract to Skanska USA Civil West California District, Inc., for the design and construction of the Landside Access Modernization Program Roadways, Utilities & Enabling Project at LAX, in the amount of \$334.9 million and appropriate funds in the amount of \$333.6 million. This project will construct a number of key individual projects that are either directly related to the Landside Access Modernization Program (LAMP), or will provide a utility service or enabling work for a LAMP related project or facility.

On October 1, 2020, the Board approved adoption the California Environmental Quality Act Final Negative Declaration for the LAX Terminal 6 Renovation Project, approved the third amendment to the Terminal Facility Lease and License Agreement with Alaska Air Lines, Inc. in Terminal 6 at LAX, and approved to appropriate funds in the amount of \$225.0 million to acquire the improvements.

On October 1, 2020, the Board approved revision of the payment terms of non-exclusive license agreements for non-concessionaire rental car services to establish a percentage rent of 10% of gross revenues and allow for payment of the lower of the percentage rent or the license fee from July 1, 2020 through June 30, 2021.

### Second Relief Program

On October 1, 2020, the Board approved the Second Letter Agreements for the Concessionaire Relief Program that amends concession agreements at LAX as follows: (i) abate or adjust the minimum annual guarantee (MAG) through June 30, 2021 for certain concession agreements (collectively Concession Agreements), (ii) defer storage rent through December 31, 2020 and allow the payback of deferred storage rent to commence January 1, 2021 for certain concession agreements (collectively In-Terminal Concession Agreements), (iii) extend the current expiration dates of the respective individual In-Terminal Concession Agreements (as conditioned in the applicable Second Letter Agreements) and Terminal Media Operator Agreement (TMO Agreement) by twenty-four months, and (iv) authorize the Chief Executive Officer to have two consecutive twelve-month options to delay the required mid-term refurbishment dates for the respective individual In-Terminal Concession Agreements in his or her sole discretion.

Expiration dates of the following agreements are extended:

The Terminal Commercial Manger (TCM) has two agreements with original expiration dates of January 31, 2029 for LAA-8613 and June 30, 2029 for LAA-8640. LAWA amended the expiration dates in 2016 extending the term to June 30, 2032 for LAA-8613 and various dates for LAA-8640 of June 20, 2032 for Terminal 1, June 30, 2029 for Terminal 3, and September 30, 2030 for Terminal 6. The Board approved to extend the TCM agreements expiration dates for an additional 24 months to January 31, 2034 for LAA-8613 and Terminal 1 under LAA-8640, June 30, 2031 for Terminal 3 under LAA-8640, and September 30, 2032 for Terminal 6 under LAA-8640.



**Notes to the Financial Statements**  
**June 30, 2020 and 2019**  
 (continued)

The Food and Beverage Concession agreements with Areas USA LAX, LLC, DN Dakota JME, and Host International were entered into in 2010 with an original expiration date of June 30, 2021. LAWA amended the expiration dates in 2013 extending the term to June 30, 2023. The Board approved to extend the Food and Beverage agreements expiration dates an additional 24 months to June 30, 2025.

The Retail Concession agreements with Hudson-Magic Johnson Enterprises-Concourse Ventures, LLC, LAX Retail Magic 2 JV, LAX Retail Magic 3-4 JV, and XpresSpa were entered into in 2010 with an original expiration date of June 30, 2021. LAWA amended the expiration dates in 2013 extending the term to June 30, 2023. The Board approved to extend the Retail Concession Agreements expiration dates an additional 24 months to June 30, 2025.

The Duty Free Concession agreement with DFS Group, LLC was entered into in 2012 with an original expiration date of September 30, 2023 and three one-year options to extend at LAWA's discretion. LAWA amended the expiration date in 2013 extending the term to September 30, 2024. The Board approved to exercise two of the extension options of the Duty Free Concession agreement resulting in an expiration date of September 30, 2026.

The Vending Concession agreement with Bottling Group was entered into in 2015 with an expiration date of September 30, 2020. The action requested here will extend the Vending Concession agreement expiration date an additional 24 months to September 30, 2022.

The Expedited Passenger Service Concession agreement with AIClear was entered into in April 2020 with an expiration date of March 31, 2025. The Board approved to extend the Expedited Passenger Service Concession agreement expiration date an additional 24 months to March 31, 2027.

The Terminal Media Operator (TMO) Agreement, entered into in 2014, had an original expiration date of December 31, 2020. The TMO Agreement contained a provision by which LAWA could extend the expiration date three years to December 31, 2023 by providing notice to the TMO. LAWA recently provided notice and extended the expiration date. The Board approved to extend the TMO Agreement expiration date an additional 24 months to December 31, 2025.

On October 15, 2020, the Board approved award of a seven-year contract with two one-year extension options to ABM Aviation Inc. (ABM) to provide Smart Parking services at LAX and Van Nuys Airport (VNY), for an amount not to exceed \$303.3 million. The contract will require ABM to develop and implement several new technologies and operate and maintain parking operations at LAX and VNY. LAWA expects to earn approximately \$950.0 million in gross revenue over the proposed seven-year term.



# Required Supplementary Information (Unaudited)

**2020** Comprehensive Annual Financial Report  
Los Angeles World Airports



# Required Supplementary Information (Unaudited)



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

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

#### Pension Plan

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

#### Schedule of LAWA's Proportionate Share of the Net Pension Liability <sup>(1) (2)</sup>

##### Los Angeles City Employees' Retirement System (LACERS)

Fiscal Year	Proportion of the Net Pension Liability	Proportionate share of the Net Pension Liability	Covered Payroll (3)	Proportionate share of the Net Pension Liability as a percentage of its Covered Payroll	Proportionate share of Pension Plan's Fiduciary Net Position	Proportionate share of Pension Plan's Total Pension Liability	Pension Plan's Fiduciary Net Position as a percentage of the Total Pension Liability
2015	13.80%	\$ 615,349	\$ 249,228	246.90%	\$ 1,627,643	\$ 2,242,992	72.57%
2016	13.98%	\$ 697,482	\$ 255,014	273.51%	\$ 1,666,366	\$ 2,363,848	70.49%
2017	13.79%	\$ 774,356	\$ 260,929	296.77%	\$ 1,628,551	\$ 2,402,907	67.77%
2018	13.70%	\$ 723,062	\$ 271,035	266.78%	\$ 1,805,783	\$ 2,528,845	71.41%
2019	13.75%	\$ 785,272	\$ 278,682	281.78%	\$ 1,957,905	\$ 2,743,177	71.37%
2020	13.72%	\$ 819,996	\$ 280,596	292.23%	\$ 2,032,238	\$ 2,852,234	71.25%

#### Notes to schedule:

1. Changes of assumptions

The June 30, 2014 measurement date calculations reflected various assumptions changes based on the triennial experience study for the period from July 1, 2011 through June 30, 2014. The increase of the Pension Plan's Total Pension Liability is primarily due to the lowered assumed investment rate of return, from 7.75% in fiscal year 2013 to 7.50% in fiscal year 2014, and longer assumed life expectancies for members and beneficiaries, while the June 30, 2017 increase is primarily due to the lowered assumed investment rate of return from 7.50% in fiscal year 2016 to 7.25% in fiscal year 2017.

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

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



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

**Schedule of Contributions - Pension**

*Los Angeles City Employees' Retirement System (LACERS)*

	2020	2019	2018	2017	2016
Contractually required contribution (actuarially determined)	\$ 74,396	\$ 65,746	\$ 61,920	\$ 62,173	\$ 60,694
Contributions in relation to the actuarially determined	74,396	65,746	61,920	62,173	60,694
Contribution deficiency (excess)	<u>\$ —</u>				
LAWA's covered payroll	\$ 292,406	\$ 280,596	\$ 278,682	\$ 271,035	\$ 260,929
LAWA's contributions as a percentage of covered payroll	25.44%	23.43%	22.22%	22.94%	23.26%
	<u>2015</u>				
Contractually required contribution (actuarially determined)	\$ 53,261				
Contributions in relation to the actuarially determined	53,261				
Contribution deficiency (excess)	<u>\$ —</u>				
LAWA's covered payroll	\$ 255,014				
LAWA's contributions as a percentage of covered payroll	20.89%				

**Notes to schedule - Pension**

*Los Angeles City Employees' Retirement System (LACERS)*

Valuation Date	June 30, 2019
Actuarial Cost Method	Entry age method
Amortization Method	Level percent of payroll
Long-Term Expected Rate of Return	7.25%
Inflation	3.00%
Project Salary Increases	Ranges from 3.90% to 10.00% based on years of service, including inflation



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

**Other Postemployment Benefit Plan (OPEB)**

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

**Schedule of LAWA's Proportionate Share of the Net OPEB Liability**

***Los Angeles City Employees' Retirement System (LACERS)***

Fiscal Year	Proportion of the Net Postemployment Health Care (OPEB) Liability	Proportionate share of the Net OPEB Liability	Covered Payroll (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	13.68%	\$ 77,566	\$ 271,035	28.62%	\$ 333,673	\$ 411,239	81.14%
2019	13.49%	\$ 78,324	\$ 278,682	28.11%	\$ 361,138	\$ 439,463	82.18%
2020	13.22%	\$ 69,014	\$ 280,596	24.60%	\$ 371,646	\$ 440,660	84.34%

Notes to schedule:

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

**Schedule of Contributions - OPEB**

***Los Angeles City Employees' Retirement System (LACERS)***

	2020	2019	2018
Contractually required contribution (actuarially determined)	\$ 14,482	\$ 14,434	\$ 13,810
Contributions in relation to the actuarially determined contributions	14,482	\$ 14,434	13,810
Contribution deficiency (excess)	\$ —	—	\$ —
LAWA's covered payroll	\$ 292,406	\$ 280,596	\$ 278,682
LAWA's contributions as a percentage of covered payroll	4.95%	5.14%	4.96%



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

**Notes to schedule - OPEB**

*Los Angeles City Employees' Retirement System (LACERS)*

Valuation Date	June 30, 2019
Actuarial Cost Method	Entry age method
Amortization Method	Level percent of payroll
Long-Term Expected Rate of Return	7.25%
Inflation	3.00%
Project Salary Increases	Ranges from 3.90% to 10.00% based on years of service, including inflation



# Supplemental Information

**2020** Comprehensive Annual Financial Report  
 Los Angeles World Airports



# Supplemental Information



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## Los Angeles World Airports

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

### Combining Schedule of Net Position June 30, 2020

(with June 30, 2019 comparative total)

(amounts in thousands)

	Los Angeles International Airport	Van Nuys Airport	Palmdale Property
<b>ASSETS</b>			
Current Assets			
Unrestricted current assets			
Cash and pooled investments held in City Treasury	\$ 984,838	\$ 6,329	\$ 2
Investments with fiscal agents	979	270	—
Accounts receivable, net of allowance for uncollectible accounts: 2020 - \$2,082; 2019 - \$105	101,306	532	68
Unbilled receivables	—	136	72
Accrued interest receivable	4,690	—	—
Grants receivable	73,230	3,825	—
Loans receivable	—	71	—
Receivable from Ontario International Airport Authority (OIAA)	9,361	—	—
Due from (to) other agencies	46,852	—	(46,852)
Prepaid expenses	5,885	85	—
Inventories	1,382	39	—
Total unrestricted current assets	<u>1,228,523</u>	<u>11,287</u>	<u>(46,710)</u>
Restricted current assets			
Cash and pooled investments held in City Treasury	1,051,139	3	—
Investments with fiscal agents, includes cash and cash equivalents, related to bonded debt: 2020 - \$1,047,564; 2019 - \$1,682,117	1,054,833	—	—
Accrued interest receivable	1,131	—	—
Passenger facility charges receivable	1,412	—	—
Customer facility charges receivable	1,720	—	—
Total restricted current assets	<u>2,110,235</u>	<u>3</u>	<u>—</u>
Total current assets	<u>3,338,758</u>	<u>11,290</u>	<u>(46,710)</u>
Noncurrent Assets			
Capital assets			
Not depreciated	4,924,128	18,717	91,992
Depreciated, net	7,162,039	64,705	4,291
Total capital assets	<u>12,086,167</u>	<u>83,422</u>	<u>96,283</u>
Other noncurrent assets			
Loans receivable, net of current portion	—	—	—
Receivable from OIAA, net of current portion	21,204	—	—
Total other noncurrent assets	<u>21,204</u>	<u>—</u>	<u>—</u>
Total noncurrent assets	<u>12,107,371</u>	<u>83,422</u>	<u>96,283</u>
<b>TOTAL ASSETS</b>	<u>15,446,129</u>	<u>94,712</u>	<u>49,573</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Loss on debt refundings	35,732	—	—
Pension and OPEB	181,271	3,047	—
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>217,003</u>	<u>3,047</u>	<u>—</u>

	Total 2020	Total 2019
<b>ASSETS</b>		
Current Assets		
Unrestricted current assets		
Cash and pooled investments held in City Treasury	\$ 991,169	\$ 926,248
Investments with fiscal agents	1,249	2,615
Accounts receivable, net of allowance for uncollectible accounts: 2020 - \$2,082; 2019 - \$105	101,906	4,919
Unbilled receivables	208	50,712
Accrued interest receivable	4,690	8,038
Grants receivable	77,055	19,895
Loans receivable	71	160
Receivable from Ontario International Airport Authority (OIAA)	9,361	9,464
Due from (to) other agencies	—	—
Prepaid expenses	5,970	7,357
Inventories	1,421	1,563
Total unrestricted current assets	<u>1,193,100</u>	<u>1,030,971</u>
Restricted current assets		
Cash and pooled investments held in City Treasury	1,051,142	1,027,956
Investments with fiscal agents, includes cash and cash equivalents, related to bonded debt: 2020 - \$1,047,564; 2019 - \$1,682,117	1,054,833	1,934,293
Accrued interest receivable	1,131	1,642
Passenger facility charges receivable	1,412	26,926
Customer facility charges receivable	1,720	7,161
Total restricted current assets	<u>2,110,238</u>	<u>2,997,978</u>
Total current assets	<u>3,303,338</u>	<u>4,028,949</u>
Noncurrent Assets		
Capital assets		
Not depreciated	5,034,837	3,545,887
Depreciated, net	7,231,035	7,416,801
Total capital assets	<u>12,265,872</u>	<u>10,962,688</u>
Other noncurrent assets		
Loans receivable, net of current portion	—	71
Receivable from OIAA, net of current portion	21,204	28,179
Total other noncurrent assets	<u>21,204</u>	<u>28,250</u>
Total noncurrent assets	<u>12,287,076</u>	<u>10,990,938</u>
<b>TOTAL ASSETS</b>	<u>15,590,414</u>	<u>15,019,887</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Loss on debt refundings	35,732	37,806
Pension and OPEB	184,318	214,677
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>220,050</u>	<u>252,483</u>



# Los Angeles World Airports

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

## Combining Schedule of Net Position June 30, 2020 (continued) (with June 30, 2019 comparative total) (amounts in thousands)

	Los Angeles International Airport	Van Nuys Airport	Palmdale Property
<b>LIABILITIES</b>			
Current Liabilities			
Current liabilities payable from unrestricted assets			
Contracts and accounts payable	\$ 424,436	\$ 4,396	\$ 589
Accrued salaries	38,644	642	—
Accrued employee benefits	5,665	129	—
Estimated claims payable	8,912	153	—
Commercial paper	63,197	—	—
Obligations under securities lending transactions	6,359	—	—
Other current liabilities	30,625	1,142	13
Total current liabilities payable from unrestricted assets	<u>577,838</u>	<u>6,462</u>	<u>602</u>
Current liabilities payable from restricted assets			
Contracts and accounts payable	14,498	3	—
Current maturities of bonded debt	141,025	—	—
Accrued interest payable	44,630	—	—
Obligations under securities lending transactions	6,547	—	—
Other current liabilities	2,732	—	—
Total current liabilities payable from restricted assets	<u>209,432</u>	<u>3</u>	<u>—</u>
Total current liabilities	<u>787,270</u>	<u>6,465</u>	<u>602</u>
Noncurrent Liabilities			
Bonded debt, net of current portion	7,963,523	—	—
Accrued employee benefits, net of current portion	50,982	1,164	—
Estimated claims payable, net of current portion	90,315	1,379	—
Net pension liability	807,685	13,879	—
Net OPEB liability	68,484	1,125	—
Other long-term liabilities	886	—	—
Total noncurrent liabilities	<u>8,981,875</u>	<u>17,547</u>	<u>—</u>
<b>TOTAL LIABILITIES</b>	<u>9,769,145</u>	<u>24,012</u>	<u>602</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Gain on debt refundings	24,271	—	—
Pension and OPEB	67,305	1,404	—
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>91,576</u>	<u>1,404</u>	<u>—</u>
<b>NET POSITION</b>			
Net investment in capital assets	4,940,094	83,422	96,283
Restricted for:			
Passenger facility charges eligible projects	352,440	—	—
Customer facility charges eligible projects	436,422	—	—
Operations and maintenance reserve	240,776	—	—
Federally forfeited property and protested funds	1,978	—	—
Unrestricted	(169,299)	(11,079)	(47,312)
<b>TOTAL NET POSITION</b>	<u>\$ 5,802,411</u>	<u>\$ 72,343</u>	<u>\$ 48,971</u>

	Total 2020	Total 2019
<b>LIABILITIES</b>		
Current Liabilities		
Current liabilities payable from unrestricted assets		
Contracts and accounts payable	\$ 429,421	\$ 282,303
Accrued salaries	39,286	23,594
Accrued employee benefits	5,794	5,465
Estimated claims payable	9,065	9,326
Commercial paper	63,197	99,791
Obligations under securities lending transactions	6,359	9,810
Other current liabilities	31,780	19,157
Total current liabilities payable from unrestricted assets	<u>584,902</u>	<u>449,446</u>
Current liabilities payable from restricted assets		
Contracts and accounts payable	14,501	16,169
Current maturities of bonded debt	141,025	143,240
Accrued interest payable	44,630	42,304
Obligations under securities lending transactions	6,547	10,305
Other current liabilities	2,732	858
Total current liabilities payable from restricted assets	<u>209,435</u>	<u>212,876</u>
Total current liabilities	<u>794,337</u>	<u>662,322</u>
Noncurrent Liabilities		
Bonded debt, net of current portion	7,963,523	7,699,537
Accrued employee benefits, net of current portion	52,146	44,217
Estimated claims payable, net of current portion	91,694	85,561
Net pension liability	821,564	786,765
Net OPEB liability	69,609	79,037
Other long-term liabilities	886	886
Total noncurrent liabilities	<u>8,999,422</u>	<u>8,696,003</u>
<b>TOTAL LIABILITIES</b>	<u>9,793,759</u>	<u>9,358,325</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Gain on debt refundings	24,271	3,681
Pension and OPEB	68,709	90,554
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>92,980</u>	<u>94,235</u>
<b>NET POSITION</b>		
Net investment in capital assets	5,119,799	4,945,969
Restricted for:		
Passenger facility charges eligible projects	352,440	381,032
Customer facility charges eligible projects	436,422	433,066
Operations and maintenance reserve	240,776	221,137
Federally forfeited property and protested funds	1,978	1,526
Unrestricted	(227,690)	(162,920)
<b>TOTAL NET POSITION</b>	<u>\$ 5,923,725</u>	<u>\$ 5,819,810</u>



## Los Angeles World Airports

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

### Combining Schedule of Revenues, Expenses and Changes in Net Position

For the Fiscal Year Ended June 30, 2020

(with for the fiscal year ended June 30, 2019 comparative total)

(amounts in thousands)

	Los Angeles International Airport	Van Nuys Airport	Palmdale Property
<b>OPERATING REVENUE</b>			
Aviation revenue			
Landing fees	\$ 259,185	\$ —	\$ —
Reliever airport fee	(1,172)	1,172	—
Building rentals	571,478	5,251	3,463
Land rentals	115,523	12,494	331
Other aviation revenue	7,334	3,086	—
Total aviation revenue	952,348	22,003	3,794
Concession revenue	380,331	8	—
Other operating revenue	8,044	209	—
Total operating revenue	1,340,723	22,220	3,794
<b>OPERATING EXPENSES</b>			
Salaries and benefits	532,563	9,016	2
Contractual services	230,647	6,335	2,033
Materials and supplies	55,493	786	—
Utilities	47,334	670	198
Other operating expenses	24,719	281	1,151
Allocated administrative charges	(3,088)	2,580	508
Total operating expenses before depreciation and amortization	887,668	19,668	3,892
Operating income before depreciation and amortization	453,055	2,552	(98)
Depreciation and amortization	445,887	3,870	849
<b>OPERATING INCOME (LOSS)</b>	7,168	(1,318)	(947)
<b>NONOPERATING REVENUE (EXPENSES)</b>			
Passenger facility charges	118,023	—	—
Customer facility charges	65,621	—	—
Interest and investment income	119,938	114	—
Interest expense	(320,892)	—	—
Other nonoperating revenue	14,286	—	—
Other nonoperating expenses	(3,424)	—	—
Total nonoperating revenue (expenses) , net	(6,448)	114	—
<b>INCOME (LOSS) BEFORE CAPITAL GRANTS</b>	720	(1,204)	(947)
Federal and other government grants	85,978	19,368	—
<b>CHANGE IN NET POSITION</b>	86,698	18,164	(947)
<b>NET POSITION, BEGINNING OF YEAR</b>	5,715,713	54,179	49,918
<b>NET POSITION, END OF YEAR</b>	\$ 5,802,411	\$ 72,343	\$ 48,971

	Total before eliminations	Eliminations	Total 2020	Total 2019
<b>OPERATING REVENUE</b>				
Aviation revenue				
Landing fees	\$ 259,185	\$ —	\$ 259,185	\$ 295,724
Reliever airport fee	—	—	—	—
Building rentals	580,192	—	580,192	590,771
Land rentals	128,348	(1,243)	127,105	129,411
Other aviation revenue	10,420	—	10,420	10,534
Total aviation revenue	978,145	(1,243)	976,902	1,026,440
Concession revenue	380,339	—	380,339	501,179
Other operating revenue	8,253	—	8,253	10,330
Total operating revenue	1,366,737	(1,243)	1,365,494	1,537,949
<b>OPERATING EXPENSES</b>				
Salaries and benefits	541,581	—	541,581	464,345
Contractual services	239,015	—	239,015	228,765
Materials and supplies	56,279	—	56,279	53,983
Utilities	48,202	—	48,202	47,122
Other operating expenses	26,151	(1,243)	24,908	23,796
Allocated administrative charges	—	—	—	—
Total operating expenses before depreciation and amortization	911,228	(1,243)	909,985	818,011
Operating income before depreciation and amortization	455,509	—	455,509	719,938
Depreciation and amortization	450,606	—	450,606	407,664
<b>OPERATING INCOME (LOSS)</b>	4,903	—	4,903	312,274
<b>NONOPERATING REVENUE (EXPENSES)</b>				
Passenger facility charges	118,023	—	118,023	173,100
Customer facility charges	65,621	—	65,621	80,248
Interest and investment income	120,052	—	120,052	109,420
Interest expense	(320,892)	—	(320,892)	(294,767)
Other nonoperating revenue	14,286	—	14,286	23,996
Other nonoperating expenses	(3,424)	—	(3,424)	(6,728)
Total nonoperating revenue (expenses) , net	(6,334)	—	(6,334)	85,269
<b>INCOME (LOSS) BEFORE CAPITAL GRANTS</b>	(1,431)	—	(1,431)	397,543
Federal and other government grants	105,346	—	105,346	36,340
<b>CHANGE IN NET POSITION</b>	103,915	—	103,915	433,883
<b>NET POSITION, BEGINNING OF YEAR</b>	5,819,810	—	5,819,810	5,385,927
<b>NET POSITION, END OF YEAR</b>	\$ 5,923,725	\$ —	\$ 5,923,725	\$ 5,819,810





# Statistical Section (Unaudited)

2020 Comprehensive Annual Financial Report  
Los Angeles World Airports

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# Statistical Section (Unaudited)

The Statistical Section's objective is to provide users of LAWA's financial statements with additional historical perspective, context and detail to assist in using the information presented in the financial statements, notes to the financial statements, required supplementary information, and supplemental information to assess LAWA's economic condition.



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

### Statistical Section (Unaudited) Fiscal Year Ended June 30, 2020

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

#### Financial Trend and Revenue Capacity

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

• Net Position Summary	Page 132	• Changes in Net Position	Page 134
• Operating Revenue	Page 136	• Gross Concession Revenue per Enplaned Passenger	Page 138
• Operating Expenses per Enplaned Passenger	Page 140	• Landing Fee Rates	Page 142

#### Debt Capacity

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

• Outstanding Debt by Type and Debt Ratio	Page 144	• Revenue Bonds Debt Service Coverage	Page 146
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#### Operating Information

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

• Airline Landing Weight Trend	Page 148	• Enplaned Passenger Data	Page 152
• Employee Trend	Page 156	• Schedule of Capital Assets	Page 158

#### Demographic and Economic Data

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

• Air Trade Area Population	Page 160
• Air Trade Area Personal Income	Page 161
• Air Trade Area Personal Income Per Capita	Page 162
• Air Trade Area Unemployment Rate	Page 163
• Los Angeles County Principal Employers (Non-Government)	Page 164



## Los Angeles World Airports

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

### Net Position Summary

#### Last Ten Fiscal Years June 30

(amounts in thousands)

	2020	2019	2018	2017	2016
<b>Assets</b>					
Unrestricted current assets	\$ 1,193,100	\$ 1,030,971	\$ 968,009	\$ 875,829	\$ 953,498
Restricted current assets	2,110,238	2,997,978	1,951,670	1,921,000	1,826,813
Capital assets, net	12,265,872	10,962,688	9,805,839	8,746,290	8,237,704
Other noncurrent assets	21,204	28,250	36,217	68,013	13,151
<b>Total assets</b>	<b>15,590,414</b>	<b>15,019,887</b>	<b>12,761,735</b>	<b>11,611,132</b>	<b>11,031,166</b>
<b>Deferred outflows of resources</b>					
Loss on debt refundings	35,732	37,806	40,308	38,550	25,763
Pension and OPEB	184,318	214,677	162,101	206,553	138,220
<b>Total deferred outflows of resources</b>	<b>220,050</b>	<b>252,483</b>	<b>202,409</b>	<b>245,103</b>	<b>163,983</b>
<b>Liabilities</b>					
Current liabilities payable from unrestricted assets	584,902	449,446	403,306	388,167	358,841
Current liabilities payable from restricted assets	209,435	212,876	188,816	212,756	174,686
Noncurrent liabilities	8,108,249	7,830,201	6,093,851	5,337,544	5,001,300
Net pension liability	821,564	786,765	723,062	774,356	697,482
Net OPEB liability	69,609	79,037	77,566	—	—
<b>Total liabilities</b>	<b>9,793,759</b>	<b>9,358,325</b>	<b>7,486,601</b>	<b>6,712,823</b>	<b>6,232,309</b>
<b>Deferred inflows of resources</b>					
Gain on debt refundings	24,271	3,681	—	—	—
Pension and OPEB	68,709	90,554	91,616	74,147	65,236
<b>Total deferred inflows of resources</b>	<b>92,980</b>	<b>94,235</b>	<b>91,616</b>	<b>74,147</b>	<b>65,236</b>
<b>Net Position</b>					
Net investment in capital assets	5,119,799	4,945,969	4,706,733	4,322,932	4,049,740
Restricted for capital projects	788,862	814,098	672,951	782,153	750,234
Restricted for operation & maintenance reserve	240,776	221,137	210,207	185,897	194,818
Restricted for federal forfeited property & protested funds	1,978	1,526	1,336	1,463	1,368
Unrestricted	(227,690)	(162,920)	(205,300)	(223,180)	(98,556)
<b>Total net position</b>	<b>\$ 5,923,725</b>	<b>\$ 5,819,810</b>	<b>\$ 5,385,927</b>	<b>\$ 5,069,265</b>	<b>\$ 4,897,604</b>

	2015	2014	2013	2012	2011
<b>Assets</b>					
Unrestricted current assets	\$ 801,802	\$ 773,686	\$ 751,416	\$ 835,785	\$ 973,345
Restricted current assets	1,666,940	1,741,540	1,698,879	2,352,742	2,807,009
Capital assets, net	7,457,471	6,938,565	6,385,858	5,331,736	4,459,842
Other noncurrent assets	16,070	18,932	21,702	45,437	102,166
<b>Total assets</b>	<b>9,942,283</b>	<b>9,472,723</b>	<b>8,857,855</b>	<b>8,565,700</b>	<b>8,342,362</b>
<b>Deferred outflows of resources</b>					
Loss on debt refundings	27,051	2,581	2,795	—	—
Pension and OPEB	142,391	—	—	—	—
<b>Total deferred outflows of resources</b>	<b>169,442</b>	<b>2,581</b>	<b>2,795</b>	<b>—</b>	<b>—</b>
<b>Liabilities</b>					
Current liabilities payable from unrestricted assets	319,941	414,285	274,859	382,293	338,685
Current liabilities payable from restricted assets	132,667	116,999	102,125	110,482	169,554
Noncurrent liabilities	4,401,545	4,102,171	3,933,194	3,717,043	3,757,733
Net pension liability	615,349	—	—	—	—
Net OPEB liability	—	—	—	—	—
<b>Total liabilities</b>	<b>5,469,502</b>	<b>4,633,455</b>	<b>4,310,178</b>	<b>4,209,818</b>	<b>4,265,972</b>
<b>Deferred inflows of resources</b>					
Gain on debt refundings	—	—	—	—	—
Pension and OPEB	150,019	—	—	—	—
<b>Total deferred inflows of resources</b>	<b>150,019</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Net Position</b>					
Net investment in capital assets	3,709,205	3,423,631	3,007,809	2,796,362	2,548,638
Restricted for capital projects	801,276	944,200	937,398	937,355	825,114
Restricted for operation & maintenance reserve	188,375	178,598	173,101	175,543	155,200
Restricted for federal forfeited property & protested funds	1,517	1,313	1,117	1,141	779
Unrestricted	(208,169)	294,107	431,047	445,481	546,659
<b>Total net position</b>	<b>\$ 4,492,204</b>	<b>\$ 4,841,849</b>	<b>\$ 4,550,472</b>	<b>\$ 4,355,882</b>	<b>\$ 4,076,390</b>

**Note:**

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



# Los Angeles World Airports

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

## Changes in Net Position

Last Ten Fiscal Years Ended June 30

(amounts in thousands)

	2020	2019	2018	2017	2016
<b>Operating revenue</b>					
Aviation revenue					
Landing fees	\$ 259,185	\$ 295,724	\$ 284,686	\$ 265,828	\$ 252,589
Building rentals	580,192	590,771	536,367	507,981	487,349
Land rentals	127,105	129,411	118,937	110,314	109,422
Other aviation revenue	10,420	10,534	9,439	10,081	9,606
Concession revenue	380,339	501,179	469,201	451,088	422,278
Other operating revenue	8,253	10,330	27,596	27,438	4,572
Total operating revenue	1,365,494	1,537,949	1,446,226	1,372,730	1,285,816
<b>Nonoperating revenue</b>					
Passenger facility charges	118,023	173,100	171,431	166,770	153,964
Customer facility charges	65,621	80,248	55,759	33,890	36,082
Interest and investment income	120,052	109,420	9,945	4,275	37,030
Other nonoperating revenue	14,286	23,996	43,360	15,886	17,857
Total nonoperating revenue	317,982	386,764	280,495	220,821	244,933
<b>Total revenue</b>	1,683,476	1,924,713	1,726,721	1,593,551	1,530,749
<b>Operating expenses</b>					
Salaries and benefits	541,581	464,345	474,431	455,032	421,028
Contractual services	239,015	228,765	229,292	215,386	199,919
Materials and supplies	56,279	53,983	50,383	44,634	50,325
Utilities	48,202	47,122	40,383	37,675	40,843
Other operating expenses	24,908	23,796	21,022	25,471	22,304
Depreciation and amortization	450,606	407,664	365,465	309,126	250,109
Total operating expenses	1,360,591	1,225,675	1,180,976	1,087,324	984,528
<b>Nonoperating expenses</b>					
Interest expense	320,892	294,767	205,308	194,482	185,275
Other nonoperating expenses	3,424	6,728	1,917	2,493	4,817
Total nonoperating expenses	324,316	301,495	207,225	196,975	190,092
<b>Total expenses</b>	1,684,907	1,527,170	1,388,201	1,284,299	1,174,620
<b>Income before capital grants and special item</b>	(1,431)	397,543	338,520	309,252	356,129
Federal and other government grants	105,346	36,340	55,897	87,756	49,271
Special item - loss on transfer of ONT	—	—	—	(225,347)	—
<b>Changes in net position</b>	103,915	433,883	394,417	171,661	405,400
<b>Net position, beginning of year, as previously reported</b>	5,819,810	5,385,927	5,069,265	4,897,604	4,492,204
Change in accounting principle	—	—	(77,755)	—	—
<b>Net position, beginning of year, as adjusted</b>	5,819,810	5,385,927	4,991,510	4,897,604	4,492,204
<b>Net position, end of year</b>	\$ 5,923,725	\$ 5,819,810	\$ 5,385,927	\$ 5,069,265	\$ 4,897,604

	2015	2014	2013	2012	2011
<b>Operating revenue</b>					
Aviation revenue					
Landing fees	\$ 239,659	\$ 234,394	\$ 227,683	\$ 218,224	\$ 203,424
Building rentals	389,796	339,420	285,873	274,183	249,267
Land rentals	102,746	101,369	94,694	92,529	99,624
Other aviation revenue	7,126	5,899	6,336	8,456	4,033
Concession revenue	377,617	354,847	328,636	304,670	290,494
Other operating revenue	4,640	2,577	3,571	4,095	4,324
Total operating revenue	1,121,584	1,038,506	946,793	902,157	851,166
<b>Nonoperating revenue</b>					
Passenger facility charges	141,466	136,280	130,512	130,769	128,084
Customer facility charges	33,185	32,345	30,896	29,643	27,821
Interest and investment income	20,166	24,422	2,985	36,014	31,801
Other nonoperating revenue	9,175	11,901	12,098	15,848	13,918
Total nonoperating revenue	203,992	204,948	176,491	212,274	201,624
<b>Total revenue</b>	1,325,576	1,243,454	1,123,284	1,114,431	1,052,790
<b>Operating expenses</b>					
Salaries and benefits	405,923	388,677	371,708	376,042	359,700
Contractual services	190,445	179,988	184,139	182,487	161,784
Materials and supplies	49,810	49,604	52,158	39,881	37,343
Utilities	43,247	44,037	37,089	35,048	34,392
Other operating expenses	22,635	17,555	19,939	24,258	23,704
Depreciation and amortization	201,214	165,960	159,719	151,654	130,805
Total operating expenses	913,274	845,821	824,752	809,370	747,728
<b>Nonoperating expenses</b>					
Interest expense	169,630	137,005	97,089	86,700	82,501
Other nonoperating expenses	9,559	1,928	2,058	1,310	3,842
Total nonoperating expenses	179,189	138,933	99,147	88,010	86,343
<b>Total expenses</b>	1,092,463	984,754	923,899	897,380	834,071
<b>Income before capital grants and special item</b>	233,113	258,700	199,385	217,051	218,719
Federal and other government grants	34,761	32,677	17,972	62,441	75,171
Special item - loss on transfer of ONT	—	—	—	—	—
<b>Changes in net position</b>	267,874	291,377	217,357	279,492	293,890
<b>Net position, beginning of year, as previously reported</b>	4,841,849	4,550,472	4,355,882	4,076,390	3,782,500
Change in accounting principle	(617,519)	—	(22,767)	—	—
<b>Net position, beginning of year, as adjusted</b>	4,224,330	4,550,472	4,333,115	4,076,390	3,782,500
<b>Net position, end of year</b>	\$ 4,492,204	\$ 4,841,849	\$ 4,550,472	\$ 4,355,882	\$ 4,076,390

Note:

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



## Los Angeles World Airports

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

### Operating Revenue

Last Ten Fiscal Years Ended June 30

(amounts in thousands)

	2020	2019	2018	2017	2016
<b>Landing fees</b>					
Permitted/signatory	\$ 258,870	\$ 295,171	\$ 283,791	\$ 265,382	\$ 251,898
Non-permitted/non-signatory	315	553	895	446	691
Total landing fees	259,185	295,724	284,686	265,828	252,589
<b>Building rentals</b>					
Terminals	495,105	510,673	472,517	445,848	422,713
Other buildings	85,087	80,098	63,850	62,133	64,636
Total building rentals	580,192	590,771	536,367	507,981	487,349
<b>Land rentals</b>	127,105	129,411	118,937	110,314	109,422
<b>Other aviation revenue</b>					
Plane parking	2,375	1,943	1,956	2,631	3,279
Fuel fee	3,728	4,125	3,384	3,279	2,784
Other	4,317	4,466	4,099	4,171	3,543
Total other aviation revenue	10,420	10,534	9,439	10,081	9,606
<b>Concession revenue</b>					
Duty free	55,733	84,912	83,091	76,066	66,287
Commercial management concession	39,606	53,794	50,527	43,252	43,343
Food and beverage	18,827	25,476	22,612	23,431	23,440
Gifts and news	9,463	12,185	11,261	11,556	11,035
Advertising	27,876	31,676	31,612	28,185	26,998
Foreign exchange	8,995	11,769	11,887	9,149	8,003
Telecommunications	1,073	1,729	1,201	1,986	2,082
Luggage carts	1,464	1,563	1,588	1,995	2,746
Automated teller machines	3,750	3,745	3,750	3,780	3,840
Security Screening Services	2,245	1,848	1,223	250	—
Subtotal- In-terminal	169,032	228,697	218,752	199,650	187,774
Auto parking	87,790	104,274	96,613	102,813	108,507
Rent-a-car	65,181	82,607	84,156	89,575	90,059
Bus, limousine, and taxi	6,857	9,319	9,624	10,290	13,731
Transportation network company	38,799	59,590	44,338	33,678	8,897
Flyaway bus service	12,680	16,692	15,718	15,082	13,310
Subtotal- Off-terminal	211,307	272,482	250,449	251,438	234,504
Total concession revenue	380,339	501,179	469,201	451,088	422,278
<b>Other operating revenue</b>					
Sales and service	4,127	3,821	3,753	3,406	3,103
Miscellaneous	4,126	6,509	23,843	24,032	1,469
Total other operating revenue	8,253	10,330	27,596	27,438	4,572
<b>Total operating revenue</b>	<b>\$ 1,365,494</b>	<b>\$ 1,537,949</b>	<b>\$ 1,446,226</b>	<b>\$ 1,372,730</b>	<b>\$ 1,285,816</b>

	2015	2014	2013	2012	2011
<b>Landing fees</b>					
Permitted/signatory	\$ 239,200	\$ 233,947	\$ 227,132	\$ 217,403	\$ 202,899
Non-permitted/non-signatory	459	447	551	821	525
Total landing fees	239,659	234,394	227,683	218,224	203,424
<b>Building rentals</b>					
Terminals	329,688	274,836	229,023	216,366	193,566
Other buildings	60,108	64,584	56,850	57,817	55,701
Total building rentals	389,796	339,420	285,873	274,183	249,267
<b>Land rentals</b>	102,746	101,369	94,694	92,529	99,624
<b>Other aviation revenue</b>					
Plane parking	1,031	942	875	967	724
Fuel fee	2,729	2,175	2,200	2,142	2,230
Other	3,366	2,782	3,261	5,347	1,079
Total other aviation revenue	7,126	5,899	6,336	8,456	4,033
<b>Concession revenue</b>					
Duty free	63,983	55,756	50,409	45,434	36,743
Commercial management concession	28,674	9,078	30	—	—
Food and beverage	26,249	37,354	37,747	34,217	37,784
Gifts and news	12,076	22,227	23,019	18,411	19,214
Advertising	23,196	18,603	20,936	18,763	18,938
Foreign exchange	7,093	6,508	6,356	6,572	6,533
Telecommunications	1,379	879	761	1,109	1,920
Luggage carts	2,754	2,786	2,690	2,792	2,780
Automated teller machines	3,840	3,840	3,620	3,400	3,400
Security Screening Services	—	—	—	—	—
Subtotal- In-terminal	169,244	157,031	145,568	130,698	127,312
Auto parking	99,401	93,391	87,398	84,270	81,822
Rent-a-car	85,658	83,621	77,303	70,982	65,500
Bus, limousine, and taxi	12,238	10,889	9,390	8,969	6,940
Transportation network company	—	—	—	—	—
Flyaway bus service	11,076	9,915	8,977	9,751	8,920
Subtotal- Off-terminal	208,373	197,816	183,068	173,972	163,182
Total concession revenue	377,617	354,847	328,636	304,670	290,494
<b>Other operating revenue</b>					
Sales and service	2,476	1,201	1,216	2,573	2,442
Miscellaneous	2,164	1,376	2,355	1,522	1,882
Total other operating revenue	4,640	2,577	3,571	4,095	4,324
<b>Total operating revenue</b>	<b>\$ 1,121,584</b>	<b>\$ 1,038,506</b>	<b>\$ 946,793</b>	<b>\$ 902,157</b>	<b>\$ 851,166</b>

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



## Los Angeles World Airports

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

### Gross Concession Revenue Per Enplaned Passenger

Last Ten Fiscal Years Ended June 30

(amounts in thousands, except per enplaned passenger)

	2020	2019	2018	2017	2016
<b>Los Angeles International Airport</b>					
In-terminal					
Duty free	\$ 55,733	\$ 84,912	\$ 83,091	\$ 76,066	\$ 66,287
Commercial management concession	39,606	53,794	50,527	43,252	43,343
Food and beverage	18,819	25,464	22,598	23,172	22,746
Gifts and news	9,463	12,185	11,261	11,131	10,433
Advertising	27,876	31,676	31,612	27,977	26,437
Foreign exchange	8,995	11,769	11,887	9,149	8,003
Telecommunications	1,074	1,729	1,201	1,991	2,071
Luggage carts	1,464	1,563	1,588	1,959	2,636
Automated teller machines	3,750	3,745	3,750	3,750	3,750
Security Screening Services	2,245	1,848	1,223	250	—
Off-terminal					
Auto parking	87,789	104,274	96,613	96,697	94,086
Rent-a-car	65,181	82,607	84,156	87,433	83,299
Bus, limousine, and taxi	6,857	9,319	9,624	10,036	13,394
Transportation network company	38,799	59,590	44,338	33,678	8,897
Flyaway bus service	12,680	16,692	15,718	15,082	13,310
Total gross concession revenue	\$ 380,331	\$ 501,167	\$ 469,187	\$ 441,623	\$ 398,692
Total enplaned passengers	31,429	44,207	43,553	41,602	38,952
Gross concession revenue per enplaned passenger	\$ 12.10	\$ 11.34	\$ 10.77	\$ 10.62	\$ 10.24

	2015	2014	2013	2012	2011
<b>Los Angeles International Airport</b>					
In-terminal					
Duty free	\$ 63,983	\$ 55,756	\$ 50,409	\$ 45,434	\$ 36,743
Commercial management concession	28,674	9,078	30	—	—
Food and beverage	25,598	36,619	36,475	32,956	36,579
Gifts and news	11,096	21,353	21,912	17,282	17,998
Advertising	22,553	17,784	19,875	17,433	17,419
Foreign exchange	7,093	6,508	6,356	6,572	6,533
Telecommunications	1,354	850	732	976	1,714
Luggage carts	2,644	2,676	2,580	2,682	2,680
Automated teller machines	3,750	3,750	3,303	2,856	2,856
Security Screening Services	—	—	—	—	—
Off-terminal					
Auto parking	85,803	79,914	73,932	69,945	66,575
Rent-a-car	78,556	76,558	70,517	64,361	58,647
Bus, limousine, and taxi	11,902	10,550	9,041	8,519	6,531
Transportation network company	—	—	—	—	—
Flyaway bus service	11,076	9,915	8,977	9,751	8,920
Total gross concession revenue	\$ 354,082	\$ 331,311	\$ 304,139	\$ 278,767	\$ 263,195
Total enplaned passengers	36,114	34,334	32,524	31,519	30,281
Gross concession revenue per enplaned passenger	\$ 9.80	\$ 9.65	\$ 9.35	\$ 8.84	\$ 8.69



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

**Operating Expenses Per Enplaned Passenger**  
**Last Ten Fiscal Years Ended June 30**  
 (amounts in thousands, except per enplaned passenger)

	2020	2019	2018	2017	2016
<b>Los Angeles International Airport</b>					
Salaries and benefits	\$ 532,563	\$ 456,948	\$ 466,263	\$ 438,153	\$ 387,595
Contractual services	230,647	220,990	221,421	203,277	182,659
Materials and supplies	55,493	53,414	49,703	43,830	46,062
Utilities	47,334	46,191	39,433	36,043	36,181
Other operating expenses	24,719	23,559	20,825	25,782	20,738
Administrative charges					
allocated to ONT, VNY & PMD	(3,088)	(2,728)	(2,924)	(4,585)	(9,356)
Total operating expenses before depreciation	\$ 887,668	\$ 798,374	\$ 794,721	\$ 742,500	\$ 663,879
Total enplaned passengers	31,429	44,207	43,553	41,602	38,952
Operating expenses per enplaned passenger	\$ 28.24	\$ 18.06	\$ 18.25	\$ 17.85	\$ 17.04

	2015	2014	2013	2012	2011
<b>Los Angeles International Airport</b>					
Salaries and benefits	\$ 374,018	\$ 356,726	\$ 338,004	\$ 339,551	\$ 323,522
Contractual services	174,745	161,771	162,661	162,071	143,684
Materials and supplies	46,102	45,726	47,908	35,986	32,699
Utilities	38,355	39,089	32,472	30,664	29,606
Other operating expenses	21,205	16,093	18,383	22,023	21,712
Administrative charges					
allocated to ONT, VNY & PMD	(9,027)	(9,378)	(9,998)	(10,135)	(9,995)
Total operating expenses before depreciation	\$ 645,398	\$ 610,027	\$ 589,430	\$ 580,160	\$ 541,228
Total enplaned passengers	36,114	34,334	32,524	31,519	30,281
Operating expenses per enplaned passenger	\$ 17.87	\$ 17.77	\$ 18.12	\$ 18.41	\$ 17.87



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

**Landing Fee Rates**  
**Last Ten Fiscal Years Ended June 30**

Los Angeles International Airport

Fiscal Year	Permitted air carriers		Non-permitted air carriers	
	Passenger	Cargo	Passenger	Cargo
2020	\$5.08	\$3.93	\$6.35	\$4.91
2019	4.71	3.73	5.94	4.65
2018	4.54	3.61	5.75	4.53
2017	4.34	3.45	5.63	4.43
2016	4.12	3.28	5.48	4.33
2015	4.27	3.51	5.59	4.56
2014	4.33	3.57	5.75	4.73
2013	4.37	3.60	5.58	4.71
2012	4.24	3.56	5.45	4.46
2011	4.06	3.31	5.08	4.18

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

Landing rates are adopted by the Board of Airport Commissioners and become effective beginning July 1 of each fiscal year. The adopted rates are based on budgeted operating revenue and expenses. A reconciliation between the actual amounts against the estimates used in initial calculation may result in a year-end adjustment to unbilled receivables. The landing rates for fiscal year 2020 represent the adopted rates which are subject to reconciliation by the end of calendar year 2020. The landing rates for fiscal years 2011 through 2019 represent the final reconciled rates.

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## Los Angeles World Airports

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

### Outstanding Debt by Type and Debt Ratio

Last Ten Fiscal Years Ended June 30

(amounts in thousands, except per enplaned passenger)

	2020	2019	2018	2017	2016
<b>Los Angeles International Airport</b>					
Outstanding debt					
Revenue bonds after premium & discount	\$ 8,104,548	\$ 7,842,777	\$ 6,081,096	\$ 5,323,476	\$ 4,919,100
Debt service-revenue bonds					
Principal	\$ 143,240	\$ 116,855	\$ 107,850	\$ 96,200	\$ 81,700
Interest <sup>(1)</sup>	259,507	258,970	237,081	229,481	196,552
Total debt service	\$ 402,747	\$ 375,825	\$ 344,931	\$ 325,681	\$ 278,252
Total enplaned passengers	31,429	44,207	43,553	41,602	38,952
Outstanding debt per enplaned passenger	\$ 257.87	\$ 177.41	\$ 139.63	\$ 127.96	\$ 126.29
Debt service per enplaned passenger	\$ 12.81	\$ 8.64	\$ 7.92	\$ 7.83	\$ 7.14

	2015	2014	2013	2012	2011
<b>Los Angeles International Airport</b>					
Outstanding debt					
Revenue bonds after premium & discount	\$ 4,299,262	\$ 3,982,811	\$ 3,788,736	\$ 3,571,753	\$ 3,620,397
Debt service-revenue bonds					
Principal	\$ 72,390	\$ 53,220	\$ 38,250	\$ 44,985	\$ 38,670
Interest <sup>(1)</sup>	184,017	157,758	91,258	86,019	80,655
Total debt service	\$ 256,407	\$ 210,978	\$ 129,508	\$ 131,004	\$ 119,325
Total enplaned passengers	36,114	34,334	32,524	31,519	30,281
Outstanding debt per enplaned passenger	\$ 119.05	\$ 116.00	\$ 116.49	\$ 113.32	\$ 119.56
Debt service per enplaned passenger	\$ 7.10	\$ 6.14	\$ 3.98	\$ 4.16	\$ 3.94

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



## Los Angeles World Airports

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

### Revenue Bonds Debt Service Coverage

Last Ten Fiscal Years Ended June 30

(amounts in thousands, except debt service coverage)

	2020	2019	2018	2017	2016
<b>Los Angeles International Airport</b>					
Operating revenue	\$ 1,340,723	\$ 1,514,367	\$ 1,422,404	\$ 1,328,689	\$ 1,206,612
Adjustments to arrive at pledged revenue <sup>(1)</sup>	(578,541)	(566,043)	(628,551)	(593,166)	(508,489)
Net pledged revenue	<u>\$ 762,182</u>	<u>\$ 948,324</u>	<u>\$ 793,853</u>	<u>\$ 735,523</u>	<u>\$ 698,123</u>
Debt service, principal and interest					
Senior lien bonds	\$ 208,776	\$ 249,065	\$ 250,039	\$ 249,044	\$ 216,164
Subordinate lien bonds	193,971	126,760	94,892	76,637	62,088
Total debt service	<u>\$ 402,747</u>	<u>\$ 375,825</u>	<u>\$ 344,931</u>	<u>\$ 325,681</u>	<u>\$ 278,252</u>
Debt service coverage (GAAP basis)					
Senior lien bonds	3.65	3.81	3.17	2.95	3.23
Subordinate lien bonds	2.85	5.52	5.73	6.35	7.76
Total bonds	1.89	2.52	2.30	2.26	2.51
Debt service coverage (Bond indenture basis) <sup>(2)</sup>					
Senior lien bonds	8.22	7.90	5.77	4.71	6.23
Subordinate lien bonds	3.34	5.27	5.40	5.93	7.74
Total bonds	2.60	3.42	3.06	2.90	3.72
PFCs to pay for debt service on certain bonds	\$ 144,716	\$ 147,680	\$ 135,985	\$ 117,985	\$ 123,954
Non-cash pension and OPEB expenses	\$ 33,365	\$ 11,324	\$ 10,268	\$ 17,179	\$ —

	2015	2014	2013	2012	2011
<b>Los Angeles International Airport</b>					
Operating revenue	\$ 1,045,800	\$ 961,729	\$ 865,473	\$ 822,090	\$ 767,844
Adjustments to arrive at pledged revenue <sup>(1)</sup>	(533,821)	(489,291)	(542,930)	(519,677)	(492,571)
Net pledged revenue	<u>\$ 511,979</u>	<u>\$ 472,438</u>	<u>\$ 322,543</u>	<u>\$ 302,413</u>	<u>\$ 275,273</u>
Debt service, principal and interest					
Senior lien bonds	\$ 201,193	\$ 159,062	\$ 79,886	\$ 85,753	\$ 79,095
Subordinate lien bonds	55,214	51,916	49,622	45,251	40,230
Total debt service	<u>\$ 256,407</u>	<u>\$ 210,978</u>	<u>\$ 129,508</u>	<u>\$ 131,004</u>	<u>\$ 119,325</u>
Debt service coverage (GAAP basis)					
Senior lien bonds	2.55	2.97	4.04	3.53	3.48
Subordinate lien bonds	5.63	6.04	4.89	4.79	4.88
Total bonds	2.00	2.24	2.49	2.31	2.31
Debt service coverage (Bond indenture basis) <sup>(2)</sup>					
Senior lien bonds	3.82	6.01	6.33	4.58	4.26
Subordinate lien bonds	5.61	6.02	4.86	4.76	4.83
Total bonds	2.54	3.28	3.02	2.61	2.54
PFCs to pay for debt service on certain bonds	\$ 90,956	\$ 96,502	\$ 34,400	\$ 25,176	\$ 19,000
Non-cash pension and OPEB expenses	\$ —	\$ —	\$ —	\$ —	\$ —

1. Adjustments include BABs subsidy; nonoperating TSA revenue; interest income net of PFCs, CFCs and construction funds; M&O expenses net of PFCs and CARES Act funded, and non-cash pension and OPEB expenses. LAX has received approval from FAA to collect and use PFCs and CARES Act funds to pay for debt service on certain bonds.

2. Based on the bond indenture provisions, calculations of the senior lien bonds debt service excludes PFCs reimbursements, while the subordinate lien bonds debt service excludes capitalized interest, but includes commercial paper principal (effective fiscal year 2017) and interest expenses.



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

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

Carrier	2020			2019			2018		
	Landing weight	% to total	Rank	Landing weight	% to total	Rank	Landing weight	% to total	Rank
<b>Los Angeles International Airport</b>									
American Airlines <sup>(4)</sup>	8,351,952	15.7 %	1	10,443,496	16.1 %	1	10,127,508	15.8 %	1
Delta Airlines <sup>(1)</sup>	6,859,308	12.9 %	2	8,472,919	13.1 %	2	8,256,339	12.9 %	2
United Airlines <sup>(3)(5)</sup>	5,953,695	11.2 %	3	7,598,169	11.7 %	3	7,385,299	11.5 %	3
Southwest Airlines	4,280,304	8.0 %	4	5,527,878	8.5 %	4	5,640,799	8.8 %	4
Alaska Airlines <sup>(2)</sup>	2,983,128	5.6 %	5	3,792,600	5.9 %	5	4,076,436	6.3 %	5
Federal Express	1,893,430	3.6 %	6	2,081,790	3.2 %	6	2,045,342	3.2 %	6
Korean Airlines	1,038,837	1.9 %	7	1,052,664	1.6 %	10	1,078,306	1.7 %	9
Spirit Airlines	970,870	1.8 %	8	1,246,310	1.9 %	7	1,283,316	2.0 %	7
JetBlue Airways	946,540	1.8 %	9	1,099,130	1.7 %	9	1,039,622	1.6 %	10
Kalitta Air LLC	938,188	1.7 %	10	447,612	0.7 %	40	318,639	0.5 %	40
Qantas Airways	—	— %	—	1,148,143	1.8 %	8	1,188,312	1.9 %	8
Virgin America <sup>(2)</sup>	—	— %	—	—	— %	—	—	— %	—
Cathay Pacific	—	— %	—	—	— %	—	—	— %	—
US Airways <sup>(4)</sup>	—	— %	—	—	— %	—	—	— %	—
Skywest Airlines <sup>(5)</sup>	—	— %	—	—	— %	—	—	— %	—
Continental Airlines <sup>(3)</sup>	—	— %	—	—	— %	—	—	— %	—
All Others	19,054,695	35.8 %	—	21,836,072	33.8 %	—	21,786,690	33.8 %	—
<b>Total</b>	<b>53,270,947</b>			<b>64,746,783</b>			<b>64,226,608</b>		
Change from prior year	(17.7)%			0.8 %			2.5 %		

Carrier	2017			2016			2015		
	Landing weight	% to total	Rank	Landing weight	% to total	Rank	Landing weight	% to total	Rank
<b>Los Angeles International Airport</b>									
American Airlines <sup>(4)</sup>	10,389,870	16.6 %	1	9,557,554	16.1 %	1	7,184,885	13.1 %	3
Delta Airlines <sup>(1)</sup>	8,046,001	12.8 %	2	8,171,783	13.8 %	2	7,479,719	13.6 %	1
United Airlines <sup>(3)(5)</sup>	7,121,940	11.4 %	3	7,181,910	12.1 %	3	7,447,741	13.5 %	2
Southwest Airlines	5,491,352	8.8 %	4	5,203,678	8.8 %	4	4,977,130	9.1 %	4
Alaska Airlines <sup>(2)</sup>	1,897,388	3.0 %	7	1,955,974	3.3 %	5	1,658,662	3.0 %	7
Federal Express	2,068,855	3.3 %	5	1,898,211	3.2 %	7	1,795,385	3.3 %	6
Korean Airlines	1,073,416	1.7 %	11	1,132,512	1.9 %	10	1,252,622	2.3 %	9
Spirit Airlines	1,344,172	2.1 %	8	987,642	1.7 %	11	508,438	0.9 %	24
JetBlue Airways	916,512	1.5 %	12	766,158	1.3 %	13	643,914	1.2 %	18
Kalitta Air LLC	308,606	0.5 %	39	269,254	0.5 %	39	286,236	0.5 %	35
Qantas Airways	1,171,352	1.9 %	9	1,328,707	2.2 %	8	1,373,361	2.5 %	8
Virgin America <sup>(2)</sup>	2,048,950	3.3 %	6	1,943,146	3.3 %	6	1,860,734	3.4 %	5
Cathay Pacific	1,135,572	1.8 %	10	1,142,039	1.9 %	9	1,113,726	2.0 %	11
US Airways <sup>(4)</sup>	—	— %	—	—	— %	—	1,173,526	2.1 %	10
Skywest Airlines <sup>(5)</sup>	—	— %	—	—	— %	—	—	— %	—
Continental Airlines <sup>(3)</sup>	—	— %	—	—	— %	—	—	— %	—
All Others	19,621,440	31.3 %	—	17,628,014	29.9 %	—	16,234,193	29.5 %	—
<b>Total</b>	<b>62,635,426</b>			<b>59,166,582</b>			<b>54,990,272</b>		
Change from prior year	5.9 %			7.6 %			4.6 %		



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

Carrier	2014			2013			2012		
	Landing weight	% to total	Rank	Landing weight	% to total	Rank	Landing weight	% to total	Rank
<b>Los Angeles International Airport</b>									
American Airlines <sup>(4)</sup>	7,042,141	13.4%	2	6,529,038	13.0%	2	5,886,364	11.8%	1
Delta Airlines <sup>(1)</sup>	6,670,030	12.7%	3	5,650,964	11.3%	3	4,641,153	9.3%	3
United Airlines <sup>(3)(5)</sup>	7,947,887	15.1%	1	6,771,183	13.5%	1	5,186,869	10.4%	2
Southwest Airlines	4,637,202	8.8%	4	4,641,112	9.2%	4	4,601,662	9.2%	4
Alaska Airlines <sup>(2)</sup>	1,718,274	3.3%	7	1,611,321	3.2%	7	1,518,762	3.0%	9
Federal Express	1,740,088	3.3%	6	1,662,347	3.3%	6	1,628,897	3.3%	8
Korean Airlines	1,179,599	2.2%	9	1,189,653	2.4%	9	1,200,835	2.4%	11
Spirit Airlines	385,800	0.7%	27	237,903	0.5%	40	305,118	0.6%	34
JetBlue Airways	471,412	0.9%	23	454,116	0.9%	23	378,430	0.8%	28
Kalitta Air LLC	169,538	0.3%	48	160,042	0.3%	51	148,118	0.3%	55
Qantas Airways	1,304,899	2.5%	8	1,275,920	2.5%	8	1,331,893	2.7%	10
Virgin America <sup>(2)</sup>	2,070,384	3.9%	5	1,905,138	3.8%	5	1,634,820	3.3%	7
Cathay Pacific	893,119	1.7%	11	782,914	1.6%	12	778,532	1.6%	13
US Airways <sup>(4)</sup>	1,066,394	2.0%	10	987,982	2.0%	11	1,003,778	2.0%	12
Skywest Airlines <sup>(5)</sup>	—	—%	—	—	—%	—	2,295,517	4.6%	5
Continental Airlines <sup>(3)</sup>	—	—%	—	1,142,672	2.3%	10	1,745,543	3.5%	6
All Others	15,275,890	29.2%	—	15,204,522	30.2%	—	15,711,341	31.2%	—
<b>Total</b>	<b>52,572,657</b>			<b>50,206,827</b>			<b>49,997,632</b>		
Change from prior year	4.7%			0.4%			3.3%		

Carrier	2011		
	Landing weight	% to total	Rank
<b>Los Angeles International Airport</b>			
American Airlines <sup>(4)</sup>	5,570,846	11.5 %	2
Delta Airlines <sup>(1)</sup>	4,487,225	9.3 %	4
United Airlines <sup>(3)(5)</sup>	5,584,145	11.5 %	1
Southwest Airlines	4,737,254	9.8 %	3
Alaska Airlines <sup>(2)</sup>	1,433,511	3.0 %	7
Federal Express	1,605,640	3.3 %	6
Korean Airlines	1,219,303	2.5 %	11
Spirit Airlines	152,076	0.3 %	54
JetBlue Airways	280,734	0.6 %	35
Kalitta Air LLC	155,497	0.3 %	51
Qantas Airways	1,243,114	2.6 %	10
Virgin America <sup>(2)</sup>	1,331,658	2.8 %	9
Cathay Pacific	764,462	1.6 %	13
US Airways <sup>(4)</sup>	1,023,668	2.1 %	12
Skywest Airlines <sup>(5)</sup>	2,187,953	4.5 %	5
Continental Airlines <sup>(3)</sup>	1,402,854	2.9 %	8
All Others	15,242,412	31.4 %	—
<b>Total</b>	<b>48,422,352</b>		
Change from prior year	1.4 %		

(1) Northwest Airlines merged into Delta Air Lines and the integration was completed in January 2010.  
 (2) Alaska Airlines merged with Virgin America and combined data was reported starting FY 2018.  
 (3) United Airlines merged with Continental Airlines in early 2014.  
 (4) American Airlines (AA) merged with US Airways and combined data was reported starting FY 2016.  
 (5) Skywest data was reported under the carriers it operated for starting FY 2013.

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



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

**Enplaned Passenger Data**  
**Last Ten Fiscal Years Ended June 30**

Carrier	2020			2019			2018		
	Enplaned passengers	% to total	Rank	Enplaned passengers	% to total	Rank	Enplaned passengers	% to total	Rank
<b>Los Angeles International Airport</b>									
American Airlines <sup>(7)</sup>	6,236,038	19.8%	1	8,470,061	19.2%	1	8,124,101	18.7%	1
Delta Airlines <sup>(1)</sup>	5,593,994	17.8%	2	7,624,050	17.2%	2	7,326,619	16.8%	2
United Airlines <sup>(5), (6)</sup>	4,406,058	14.0%	3	6,444,715	14.6%	3	6,254,908	14.4%	3
Southwest Airlines	3,341,752	10.6%	4	4,955,873	11.2%	4	4,969,888	11.4%	4
Alaska Airlines <sup>(2)</sup>	2,386,562	7.6%	5	3,343,980	7.6%	5	3,656,694	8.4%	5
Spirit Airlines	926,856	3.0%	6	1,257,930	2.8%	6	1,259,622	2.9%	6
JetBlue Airways	725,885	2.3%	7	920,655	2.1%	7	886,227	2.0%	7
Air Canada	551,681	1.8%	8	772,434	1.7%	8	756,337	1.7%	8
Qantas Airways	374,732	1.2%	9	519,941	1.2%	9	542,085	1.2%	9
Hawaiian Airlines	358,822	1.1%	10	518,062	1.2%	10	497,753	1.1%	10
Virgin America <sup>(2)</sup>	—	—%	—	—	—%	—	—	—%	—
US Airways <sup>(3), (7)</sup>	—	—%	—	—	—%	—	—	—%	—
Skywest Airlines <sup>(6)</sup>	—	—%	—	—	—%	—	—	—%	—
Continental Airlines <sup>(5)</sup>	—	—%	—	—	—%	—	—	—%	—
Northwest Airlines <sup>(1)</sup>	—	—%	—	—	—%	—	—	—%	—
Mexicana Airlines <sup>(4)</sup>	—	—%	—	—	—%	—	—	—%	—
All Others	6,527,077	20.8%	—	9,379,763	21.2%	—	9,278,781	21.4%	—
<b>Total</b>	<b>31,429,457</b>			<b>44,207,464</b>			<b>43,553,015</b>		
Change from prior year	-28.9%			1.5%			4.7%		

Carrier	2017			2016			2015		
	Enplaned passengers	% to total	Rank	Enplaned passengers	% to total	Rank	Enplaned passengers	% to total	Rank
<b>Los Angeles International Airport</b>									
American Airlines <sup>(7)</sup>	8,002,129	19.2%	1	7,613,660	19.5%	1	5,556,523	15.4%	3
Delta Airlines <sup>(1)</sup>	6,838,256	16.4%	2	6,550,711	16.8%	2	6,020,280	16.7%	2
United Airlines <sup>(5), (6)</sup>	6,062,305	14.6%	3	6,020,563	15.5%	3	6,225,103	17.2%	1
Southwest Airlines	4,843,969	11.7%	4	4,446,133	11.4%	4	4,212,706	11.7%	4
Alaska Airlines <sup>(2)</sup>	1,799,163	4.3%	5	1,763,171	4.5%	5	1,652,816	4.6%	5
Spirit Airlines	1,237,471	3.0%	7	956,783	2.5%	7	510,478	1.4%	11
JetBlue Airways	784,922	1.9%	8	675,589	1.7%	8	570,938	1.6%	10
Air Canada	712,467	1.7%	9	660,642	1.7%	9	597,050	1.7%	9
Qantas Airways	519,450	1.2%	10	596,257	1.5%	10	614,333	1.7%	8
Hawaiian Airlines	440,721	1.0%	11	441,634	1.1%	11	422,871	1.2%	12
Virgin America <sup>(2)</sup>	1,725,332	4.1%	6	1,607,495	4.1%	6	1,534,368	4.2%	6
US Airways <sup>(3), (7)</sup>	—	—%	—	—	—%	—	1,201,325	3.3%	7
Skywest Airlines <sup>(6)</sup>	—	—%	—	—	—%	—	—	—%	—
Continental Airlines <sup>(5)</sup>	—	—%	—	—	—%	—	—	—%	—
Northwest Airlines <sup>(1)</sup>	—	—%	—	—	—%	—	—	—%	—
Mexicana Airlines <sup>(4)</sup>	—	—%	—	—	—%	—	—	—%	—
All Others	8,635,939	20.9%	—	7,619,729	19.7%	—	6,995,534	19.3%	—
<b>Total</b>	<b>41,602,124</b>			<b>38,952,367</b>			<b>36,114,325</b>		
Change from prior year	6.8%			7.9%			5.2%		



**Enplaned Passenger Data (continued)  
Last Ten Fiscal Years Ended June 30**

Carrier	2014			2013			2012		
	Enplaned passengers	% to total	Rank	Enplaned passengers	% to total	Rank	Enplaned passengers	% to total	Rank
<b>Los Angeles International Airport</b>									
American Airlines <sup>(7)</sup>	5,329,141	15.5 %	2	5,058,105	15.6 %	2	4,598,923	14.6 %	1
Delta Airlines <sup>(1)</sup>	5,038,929	14.7 %	3	4,171,972	12.8 %	3	3,231,000	10.3 %	4
United Airlines <sup>(5), (6)</sup>	6,568,648	19.1 %	1	5,578,740	17.2 %	1	3,610,573	11.5 %	2
Southwest Airlines	3,796,292	11.1 %	4	3,703,743	11.4 %	4	3,516,770	11.2 %	3
Alaska Airlines <sup>(2)</sup>	1,741,179	5.1 %	5	1,623,552	5.0 %	5	1,522,926	4.8 %	6
Spirit Airlines	369,236	1.1 %	11	225,908	0.7 %	22	265,973	0.8 %	19
JetBlue Airways	446,183	1.3 %	10	424,534	1.3 %	12	358,326	1.1 %	13
Air Canada	495,695	1.4 %	9	459,937	1.4 %	11	468,793	1.5 %	12
Qantas Airways	602,278	1.8 %	8	575,310	1.8 %	9	603,170	1.9 %	11
Hawaiian Airlines	339,177	1.0 %	13	323,104	1.0 %	15	235,502	0.7 %	24
Virgin America <sup>(2)</sup>	1,658,310	4.8 %	6	1,569,289	4.8 %	6	1,387,310	4.4 %	8
US Airways <sup>(3), (7)</sup>	1,035,543	3.0 %	7	970,442	3.0 %	7	964,577	3.1 %	9
Skywest Airlines <sup>(6)</sup>	—	—%	—	—	—%	—	1,887,638	6.0 %	5
Continental Airlines <sup>(5)</sup>	—	—%	—	965,486	3.0 %	8	1,515,549	4.8 %	7
Northwest Airlines <sup>(1)</sup>	—	—%	—	—	—%	—	—	—%	—
Mexicana Airlines <sup>(4)</sup>	—	—%	—	—	—%	—	—	—%	—
All Others	6,912,927	20.1 %	—	6,874,056	21.1 %	—	7,352,094	23.4 %	—
<b>Total</b>	<b>34,333,538</b>			<b>32,524,178</b>			<b>31,519,124</b>		
Change from prior year	5.6 %			3.2 %			4.1 %		

Carrier	2011		
	Enplaned passengers	% to total	Rank
<b>Los Angeles International Airport</b>			
American Airlines <sup>(7)</sup>	4,304,325	14.2 %	1
Delta Airlines <sup>(1)</sup>	3,441,646	11.4 %	4
United Airlines <sup>(5), (6)</sup>	3,838,593	12.7 %	2
Southwest Airlines	3,512,432	11.6 %	3
Alaska Airlines <sup>(2)</sup>	1,384,992	4.6 %	6
Spirit Airlines	139,504	0.5 %	32
JetBlue Airways	264,531	0.9 %	20
Air Canada	438,868	1.4 %	12
Qantas Airways	571,004	1.9 %	10
Hawaiian Airlines	240,006	0.8 %	23
Virgin America <sup>(2)</sup>	1,085,506	3.6 %	8
US Airways <sup>(3), (7)</sup>	981,885	3.2 %	9
Skywest Airlines <sup>(6)</sup>	1,777,359	5.9 %	5
Continental Airlines <sup>(5)</sup>	1,238,177	4.1 %	7
Northwest Airlines <sup>(1)</sup>	—	—%	—
Mexicana Airlines <sup>(4)</sup>	80,708	0.3 %	44
All Others	6,981,003	22.9 %	—
<b>Total</b>	<b>30,280,539</b>		
Change from prior year	4.4 %		

- (1) Northwest Airlines merged into Delta Air Lines and the integration was completed in January 2010.
- (2) Alaska Airlines merged with Virgin America and combined data was reported starting FY 2018.
- (3) America West merged into US Airways in late 2005.
- (4) Following its filing for Chapter 15 bankruptcy, Mexicana Airlines suspended its operations at LAX in August 2010.
- (5) United Airlines merged with Continental Airlines in early 2014.
- (6) Skywest data was reported under the carriers it operated for starting FY 2013.
- (7) American Airlines merged with US Airways and combined data was reported starting FY 2016.

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



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

**Employee Trend**  
**Last Ten Fiscal Years Ended June 30**

Division/Group	2020	2019	2018	2017	2016
Chief Development Officer	232	243	231	144	150
Chief Environmental & Sustainability Officer	51	62	54	58	58
Chief External Affairs Officer	58	63	57	59	62
Chief Financial Officer	188	190	106	108	104
Chief Operating Officer	69	58	105	94	94
Commercial Development	53	61	56	56	50
Facilities Maintenance & Utilities	1,221	1,227	1,267	1,318	1,290
Human Resources Services	78	123	134	91	83
Information Management & Technology	154	170	166	163	168
Operations & Emergency Management	362	371	385	393	381
Public Safety & Security	1,091	1,098	1,086	1,094	1,080
Total	3,557	3,666	3,647	3,578	3,520

Division/Group	2015	2014	2013	2012	2011
Chief Development Officer	166	56	64	60	36
Chief Environmental & Sustainability Officer	44	—	—	—	—
Chief External Affairs Officer	68	83	77	77	81
Chief Financial Officer	156	157	143	135	137
Chief Operating Officer	64	65	63	92	85
Commercial Development	55	62	66	58	61
Facilities Maintenance & Utilities	1,244	1,442	1,457	1,456	1,461
Human Resources Services	83	79	73	70	69
Information Management & Technology	175	162	163	162	161
Operations & Emergency Management	449	473	526	536	536
Public Safety & Security	935	912	903	906	908
Total	3,439	3,491	3,535	3,552	3,535



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

**Schedule of Capital Assets**  
**Last Ten Fiscal Years Ended June 30**  
(amounts in thousands)

	2020	2019	2018	2017	2016
<b>Total Capital Assets</b>					
Land and land clearance	\$ 1,273,775	\$ 1,272,320	\$ 1,225,777	\$ 1,014,058	\$ 1,060,503
Air easements	44,472	44,472	44,472	44,472	46,975
Emission reduction credits	2,772	2,772	2,772	3,070	2,853
Construction work in progress	3,713,818	2,226,323	1,542,910	1,207,826	1,647,583
<b>Capital assets not depreciated</b>	<b>5,034,837</b>	<b>3,545,887</b>	<b>2,815,931</b>	<b>2,269,426</b>	<b>2,757,914</b>
Buildings	3,611,562	3,611,562	3,610,503	3,605,063	3,258,154
Improvements	6,630,152	6,436,158	5,707,689	4,840,025	4,165,542
Equipment and vehicles	345,019	303,945	205,003	253,541	274,703
Others	64,062	38,087	38,087	38,087	38,087
<b>Capital assets depreciated</b>	<b>10,650,795</b>	<b>10,389,752</b>	<b>9,561,282</b>	<b>8,736,716</b>	<b>7,736,486</b>
Accumulated depreciation	(3,419,760)	(2,972,951)	(2,571,374)	(2,259,852)	(2,256,696)
<b>Net capital assets</b>	<b>\$ 12,265,872</b>	<b>\$ 10,962,688</b>	<b>\$ 9,805,839</b>	<b>\$ 8,746,290</b>	<b>\$ 8,237,704</b>
<b>Capital Assets Held for Leases</b>					
Buildings and facilities	\$ 6,246,705	\$ 6,208,199	\$ 5,601,330	\$ 4,958,174	\$ 4,238,368
Accumulated depreciation	(1,530,118)	(1,278,883)	(1,050,231)	(850,205)	(799,561)
Net	4,716,587	4,929,316	4,551,099	4,107,969	3,438,807
Land	626,715	626,715	626,715	630,002	687,317
<b>Total capital assets held for leases</b>	<b>\$ 5,343,302</b>	<b>\$ 5,556,031</b>	<b>\$ 5,177,814</b>	<b>\$ 4,737,971</b>	<b>\$ 4,126,124</b>

	2015	2014	2013	2012	2011
<b>Total Capital Assets</b>					
Land and land clearance	\$ 970,990	\$ 970,990	\$ 970,990	\$ 872,057	\$ 834,124
Air easements	46,975	46,975	46,975	46,975	46,975
Emission reduction credits	5,918	5,918	5,918	5,918	5,918
Construction work in progress	2,473,804	1,932,822	2,854,349	2,027,552	1,976,232
<b>Capital assets not depreciated</b>	<b>3,497,687</b>	<b>2,956,705</b>	<b>3,878,232</b>	<b>2,952,502</b>	<b>2,863,249</b>
Buildings	2,510,102	2,365,058	886,348	827,911	827,911
Improvements	3,301,026	3,293,393	3,163,180	2,965,697	2,051,934
Equipment and vehicles	248,908	238,607	237,088	217,623	213,124
Others	138,395	134,266	118,526	111,016	100,979
<b>Capital assets depreciated</b>	<b>6,198,431</b>	<b>6,031,324</b>	<b>4,405,142</b>	<b>4,122,247</b>	<b>3,193,948</b>
Accumulated depreciation	(2,238,647)	(2,049,464)	(1,897,516)	(1,743,013)	(1,597,355)
<b>Net capital assets</b>	<b>\$ 7,457,471</b>	<b>\$ 6,938,565</b>	<b>\$ 6,385,858</b>	<b>\$ 5,331,736</b>	<b>\$ 4,459,842</b>
<b>Capital Assets Held for Leases</b>					
Buildings and facilities	\$ 3,487,044	\$ 3,350,207	\$ 1,845,187	\$ 1,748,987	\$ 1,068,927
Accumulated depreciation	(607,779)	(614,881)	(562,696)	(505,895)	(463,618)
Net	2,879,265	2,735,326	1,282,491	1,243,092	605,309
Land	686,363	686,363	686,363	619,246	605,480
<b>Total capital assets held for leases</b>	<b>\$ 3,565,628</b>	<b>\$ 3,421,689</b>	<b>\$ 1,968,854</b>	<b>\$ 1,862,338</b>	<b>\$ 1,210,789</b>

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



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

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

Year	Los Angeles	Orange	Riverside	San Bernardino	Ventura	Total
2020	10,172,951	3,194,332	2,442,304	2,180,537	842,886	18,833,010
2019	10,184,378	3,192,987	2,422,146	2,168,964	846,050	18,814,525
2018	10,209,676	3,192,092	2,400,762	2,152,845	849,324	18,804,699
2017	10,193,753	3,184,229	2,376,580	2,141,391	849,057	18,745,010
2016	10,158,196	3,162,789	2,343,785	2,123,677	849,831	18,638,278
2015	10,126,423	3,145,029	2,315,706	2,112,344	848,532	18,548,034
2014	10,078,930	3,122,962	2,290,907	2,094,951	845,279	18,433,029
2013	10,025,712	3,103,018	2,268,660	2,084,443	840,637	18,322,470
2012	9,956,882	3,072,381	2,244,472	2,071,326	834,960	18,180,021
2011	9,879,298	3,036,412	2,216,250	2,055,671	829,790	18,017,421

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

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

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

Year	Los Angeles	Orange	Riverside	San Bernardino	Ventura	Total
2018	\$ 628,808,732	\$ 220,684,684	\$ 99,591,680	\$ 87,550,004	\$ 52,515,048	\$ 1,089,150,148
2017	597,597,564	208,949,975	94,210,345	83,217,749	49,994,234	1,033,969,867
2016	578,154,382	200,026,649	90,385,180	80,228,377	48,503,552	997,298,140
2015	560,086,671	193,081,245	86,033,655	76,881,147	47,182,666	963,265,384
2014	524,856,923	178,946,153	80,555,648	72,097,622	44,702,273	901,158,619
2013	491,228,472	170,061,957	76,511,910	67,628,367	42,328,733	847,759,439
2012	492,050,220	170,496,109	74,050,799	65,821,308	41,683,974	844,102,410
2011	458,957,708	157,105,840	71,936,625	64,031,994	39,898,290	791,930,457
2010	428,230,025	150,142,961	67,585,240	60,341,644	37,882,017	744,181,887
2009	409,725,253	139,816,905	65,363,159	58,646,263	36,251,505	709,803,085

Source: US Department of Commerce, Bureau of Economic Analysis, Data subsequent to 2018 is not available.



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

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

Year	Los Angeles	Orange	Riverside	San Bernardino	Ventura	Weighted Average
2018	\$ 62,224	\$ 69,268	\$ 40,637	\$ 40,316	\$ 61,712	\$ 57,832
2017	59,058	65,709	38,975	38,648	58,761	54,956
2016	57,127	63,086	37,936	37,592	57,136	53,035
2015	55,470	61,219	36,642	36,311	55,711	51,388
2014	52,233	57,165	34,753	34,320	53,031	48,350
2013	49,132	54,717	33,440	32,453	50,475	45,706
2012	49,510	55,348	32,737	31,733	49,993	45,793
2011	46,469	51,495	32,196	31,068	48,059	43,222
2010	43,597	49,773	30,698	29,566	45,910	40,934
2009	41,863	46,806	30,448	29,120	44,473	39,395

Source: US Department of Commerce, Bureau of Economic Analysis. Data subsequent to 2018 is not available.  
Note: Weighted Average is computed by dividing total personal income by the total population of the trade area.



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

**Air Trade Area Unemployment Rate  
(Five-County Service Area)  
(with comparative Statewide and Nationwide rates)  
Last Ten Years  
(amounts in percent)**

Year	Los Angeles	Orange	Riverside	San Bernardino	Ventura	California	U.S.
2020 (1)	19.6	13.6	14.7	13.8	12.6	15.1	11.2
2019	4.4	2.8	4.2	3.8	3.6	4.0	3.5
2018	4.6	3.0	4.5	4.1	3.8	4.3	3.9
2017	4.8	3.5	5.2	4.9	4.5	4.8	4.1
2016	5.3	4.0	6.1	5.8	5.2	5.5	4.7
2015	6.6	4.5	6.7	6.4	5.6	6.2	5.0
2014	8.3	5.5	8.2	8.0	6.6	7.5	5.6
2013	9.8	6.6	9.9	9.8	7.9	8.9	6.7
2012	10.9	7.9	11.6	11.4	9.1	10.4	7.9
2011	12.2	9.1	13.2	12.9	10.2	11.7	8.5

Sources: California Employment Development Department for county rates.  
U.S. Department of Labor for nationwide and statewide rates.  
(1) Rates published in August 2020



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

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

Employer	2020			2011		
	Employees	Rank <sup>1</sup>	Percentage	Employees	Rank <sup>1</sup>	Percentage
Kaiser Permanente	41,349	1	0.8%	33,600	1	0.8%
University of Southern California	22,164	2	0.5%	16,180	3	0.3%
Target Corporation	20,000	3	0.4%	15,000	4	0.4%
Northrop Grumman Corp.	18,000	4	0.4%	21,000	2	0.5%
Ralphs/Food 4 Less/Kroger	15,532	5	0.3%	13,500	5	0.3%
Cedars-Sinai Medical Center	15,302	6	0.3%	12,068	6	0.3%
Amazon	15,000	7	0.3%	--	--	--
Allied Universal	14,480	8	0.3%	--	--	--
Providence Health & Services	14,094	9	0.3%	10,616	9	0.2%
Walt Disney Co	12,750	10	0.3%	--	--	--
Boeing Co.	--	--	--	11,520	8	0.3%
Bank of America	--	--	--	12,000	7	0.3%
Home Depot	--	--	--	10,250	10	0.2%
All Others	4,704,500	--	96.1%	4,172,166	--	96.4%
	<u>4,893,171</u> <sup>2</sup>		<u>100.0%</u>	<u>4,327,900</u> <sup>2</sup>		<u>100.0%</u>

Sources:

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

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



# Compliance Section

2020 Comprehensive Annual Financial Report  
Los Angeles World Airports



# Compliance Section

- Report of Independent Auditors on Compliance with Applicable Requirements of the Passenger Facility Charge Program and Internal Control Over Compliance
- Schedule of Passenger Facility Charge Revenues and Expenditures
- Notes to the Schedule of Passenger Facility Charge Revenues and Expenditures
- Report of Independent Auditors on Compliance with Applicable Requirements of the Customer Facility Charge Program and Internal Control Over Compliance
- Schedule of Customer Facility Charge Revenues and Expenditures
- Notes to the Schedule of Customer Facility Charge Revenues and Expenditures



## **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 Each Major Federal Program**

We have audited Los Angeles World Airports' (Department of Airports of the City of Los Angeles, California) ("LAWA"), an Enterprise Fund of the City of Los Angeles, compliance with the types of compliance requirements described in the *Passenger Facility Charge Program Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (the "Guide"), that could have a direct and material effect on Passenger Facility Charge ("PFC") program for the year ended June 30, 2020.

#### ***Management's Responsibility***

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

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the PFC program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major PFC program occurred. An audit includes examining, on a test basis, evidence about LAWA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

#### ***Opinion on PFC Program***

In our opinion, LAWA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its PFC program for the year ended June 30, 2020.



### Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the 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 LAWA, an Enterprise Fund of the City of Los Angeles, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise LAWA's basic financial statements, and have issued our report thereon dated October 28, 2020, 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*

Los Angeles, California  
October 28, 2020

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

### Schedule of Passenger Facility Charge Revenues and Expenditures For the Fiscal Years Ended June 30, 2020 and 2019 (amounts in thousands)

	Passenger facility charge revenue	Interest earned	Total revenues	Expenditures on approved projects	Under (over) expenditures on approved projects
<b>Program to date as of July 1, 2018</b>	\$ 2,453,805	\$ 214,429	\$ 2,668,234	\$ 2,331,826	\$ 336,408
<b>Fiscal year 2018-19 transactions</b>					
Quarter ended September 30, 2018	42,438	1,423	43,861	37,212	6,649
Quarter ended December 31, 2018	38,956	1,400	40,356	34,756	5,600
Quarter ended March 31, 2019	48,440	1,556	49,996	37,178	12,818
Quarter ended June 30, 2019	43,266	1,852	45,118	27,856	17,262
<b>Program to date as of June 30, 2019</b>	2,626,905	220,660	2,847,565	2,468,828	378,737
<b>Fiscal year 2019-20 transactions</b>					
Quarter ended September 30, 2019	42,461	1,710	44,171	36,242	7,929
Quarter ended December 31, 2019	38,942	2,026	40,968	46,217	(5,249)
Quarter ended March 31, 2020	32,872	2,017	34,889	8,044	26,845
Quarter ended June 30, 2020	3,748	1,716	5,464	71,264	(65,800)
<b>Unexpended passenger facility charge revenues and interest earned June 30, 2020</b>	<u>\$ 2,744,928</u>	<u>\$ 228,129</u>	<u>\$ 2,973,057</u>	<u>\$ 2,630,595</u>	<u>\$ 342,462</u>

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



## Los Angeles World Airports

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

### Notes to the Schedule of Passenger Facility Charge Revenues and Expenditures For the Fiscal Years Ended June 30, 2020 and 2019

#### 1. General

The Aviation Safety and Capacity Expansion Act of 1990 (Public Law 101-508, Title II, Subtitle B) authorized the imposition of Passenger Facility Charges (PFCs) and use of the resulting revenue on Federal Aviation Administration (FAA) approved projects. The current PFC rate at LAX is \$4.50 per enplaned passenger. PFCs collection authorities approved by FAA were \$6.0 billion and \$4.3 billion at LAX as of June 30, 2020 and 2019, respectively.

The details are as follows (amounts in thousands):

Application number	Charge effective date*	2020 Amount approved for use	2019 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	1/1/2020	1,765,397	—
Total		<u>\$ 6,032,775</u>	<u>\$ 4,267,378</u>

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

Note:

- In February 2018, FAA approved LAWA's amendment request that increased application number 97-04-C-03-LAX by \$90.0 million for the land acquisition component of the Noise Mitigation Project.
- In August 2018, FAA approved LAWA's amendment request that increased application number 97-04-C-04-LAX by \$88.3 million for updated cost of the Residential Soundproofing Project.
- In March 2020, FAA approved application number 20-12-C-00-LAX for a total amount of \$1.8 billion for the Midfield Satellite Concourse - Phase 1, Inglewood High School Soundproofing Program, and PFC consulting fees.

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	
		2020	2019
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	562,743
Noise Mitigation - Soundproofing	125,000	125,000	125,000
Noise Mitigation - Other Local Jurisdictions	178,334	87,487	87,487
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	456,873	414,336
Implementation of IT Security Master Plan	56,573	32,807	32,807
Residential Soundproofing Phase II	35,000	34,141	34,141
Noise Mitigation - Other Local Jurisdictions Phase II	50,000	51,086	51,086
Bradley West	1,848,284	571,258	488,034
Lennox Schools Soundproofing Program	27,801	21,214	21,214
Inglewood USD Soundproofing Program	44,379	26,700	10,000
Terminal 6 Improvements	210,131	88,222	69,267
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	—	—
PFC Consulting Fees	250	245	—
Inglewood High School Soundproofing Program	15,147	—	—
Total	<u>\$ 6,032,775</u>	<u>\$ 2,630,595</u>	<u>\$ 2,468,828</u>



**Notes to the Schedule of Passenger Facility Charge Revenues and Expenditures  
For the Fiscal Years Ended June 30, 2020 and 2019  
(continued)**

**2. Basis of Accounting - Schedule of Passenger Facility Charge Revenues and Expenditures**

The accompanying Schedule of Passenger Facility Charge Revenues and Expenditures (Schedule) represents amounts reported to the FAA on the Passenger Facility Charge Quarterly Status Reports. The Schedule was prepared using the accrual basis of accounting.

**3. Excess Project Expenditures**

The expenditures for the Aircraft Noise Monitoring and Management System and the Noise Mitigation - Other Local Jurisdictions Phase II were in excess of authorized amounts. However, in accordance with FAA guidelines, if actual allowable project costs exceed the estimate contained in the PFCs application in which the authority was approved, the public agency may elect to increase the total approved PFCs revenue in that application by 15% or less.



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

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

**Report on Compliance for Each Major Federal Program**

We have audited Los Angeles World Airports' (Department of Airports of the City of Los Angeles, California) ("LAWA"), an Enterprise Fund of the City of Los Angeles, compliance with the types of compliance requirements described in the *California Civil Code Section 1939, as amended by Assembly Bill (AB) 2051* (the "Code"), that could have a direct and material effect on Customer Facility Charge ("CFC") program for the year ended June 30, 2020.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for the CFC program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Code. Those standards and the Code require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major CFC program occurred. An audit includes examining, on a test basis, evidence about LAWA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Opinion on CFC Program**

In our opinion, LAWA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its CFC program for the year ended June 30, 2020.



### Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Code. Accordingly, this report is not suitable for any other purpose.

### Report on Schedule of Customer Facility Charge Revenues and Expenditures

We have audited the financial statements of LAWA, an Enterprise Fund of the City of Los Angeles, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise LAWA's basic financial statements, and have issued our report thereon dated October 28, 2020, 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*

Los Angeles, California  
October 28, 2020

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

### Schedule of Customer Facility Charge Revenues and Expenditures For the Fiscal Years Ended June 30, 2020 and 2019 (amounts in thousands)

	Customer facility charge revenue	Interest earned	Total revenues	Expenditures on approved projects	Over revenues collected on approved projects
<b>Program to date as of July 1, 2018</b>	\$ 322,428	\$ 21,348	\$ 343,776	\$ 3,026	\$ 340,750
<b>Fiscal year 2018-19 transactions</b>					
Quarter ended September 30, 2018	23,028	1,352	24,380	—	24,380
Quarter ended December 31, 2018	18,695	1,504	20,199	—	20,199
Quarter ended March 31, 2019	17,136	1,652	18,788	—	18,788
Quarter ended June 30, 2019	21,389	1,833	23,222	—	23,222
<b>Program to date as of June 30, 2019</b>	402,676	27,689	430,365	3,026	427,339
<b>Fiscal year 2019-20 transactions</b>					
Quarter ended September 30, 2019	22,588	2,023	24,611	—	24,611
Quarter ended December 31, 2019	22,633	2,216	24,849	—	24,849
Quarter ended March 31, 2020	16,697	2,370	19,067	—	19,067
Quarter ended June 30, 2020	3,703	2,341	6,044	80,657	(74,613)
<b>Unexpended customer facility charge revenues and interest earned June 30, 2020</b>	<u>\$ 468,297</u>	<u>\$ 36,639</u>	<u>\$ 504,936</u>	<u>\$ 83,683</u>	<u>\$ 421,253</u>

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



## Los Angeles World Airports

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

### Notes to the Schedule of Customer Facility Charge Revenues and Expenditures For the Fiscal Years Ended June 30, 2020 and 2019

#### 1. General

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

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

The LAMP program includes the following major project components:

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

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

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

	2020	2019
Amount collected	\$ 468,297	\$ 402,676
Interest earnings	36,639	27,689
Subtotal	504,936	430,365
Expenditures		
ConRAC planning, design and construction	83,683	3,026
Unexpended CFCs revenue and interest earnings	<u>\$ 421,253</u>	<u>\$ 427,339</u>

LAWA is in the early 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 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 \$80.7 million in fiscal year 2020 and none in fiscal year 2019. LAWA's cumulative expenditures on approved CFCs projects totaled \$83.7 million for fiscal years 2020 and \$3.0 million in 2019.

#### 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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