LAX
LOS ANGELES INTERNATIONAL AIRPORT

Annual Financial Report

Fiscal Years Ended
June 30, 2021 and 2020

Department of Airports
Los Angeles, California

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

Los Angeles International Airport

Annual Financial Report
Fiscal years ended
June 30, 2021 and 2020

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Chief Executive Officer

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Michael N. Feuer, City Attorney
Ron Galperin, City Controller

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Becca Doten, Deputy Executive Director, Public and Government Affairs
Robert Falcon, Deputy Executive Director, Planning and Development Group
Aura Moore, Deputy Executive Director, Information Technology
David Reich, Deputy Executive Director, Mobility Planning and Strategy
Hans Thilenius, Deputy Executive Director, Terminal Development and Improvement Program
David Jones, Deputy Executive Director, Commercial Development
Brian C. Ostler, General Counsel

[1] *On June 15, 2021, President Biden nominated Dr. Telles for Ambassador Extraordinary and Plenipotentiary to the Republic of Costa Rica. If confirmed by the U.S. Senate, Dr. Telles is expected to vacate her board seat to serve as ambassador.*
[2] *On July 9, 2021, President Biden nominated Mr. Garcetti for Ambassador Extraordinary and Plenipotentiary to the Republic of India. If confirmed by the U.S. Senate, Mr. Garcetti is expected to resign to serve as ambassador. The City Council would then have the option to appoint an interim mayor or call a special election.*

Message from the Chief Executive Officer

I am pleased to present Los Angeles International Airport's (LAX) Annual Financial Report for the fiscal year ended June 30, 2021.

Moss Adams LLP, Certified Public Accountants (Moss Adams), audited LAX's financial statements. Based upon its audit, Moss Adams rendered an unmodified opinion that LAX's financial statements, as of and for the fiscal years ended June 30, 2021 and 2020, were fairly presented in conformity with accounting principles generally accepted in the United States of America (GAAP). Moss Adams' report is on pages 1 and 2.

Moss Adams conducted an additional audit to determine LAX's compliance with the requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* and concluded that LAX complied in all material respects with the requirements that could have a material effect on its passenger facility charge program for the fiscal year ended June 30, 2021. Moss Adams' report is on pages 129 and 130.

Moss Adams also conducted a third audit to determine LAX's compliance with the requirements described in the California Civil Code Section 1939, as amended by Assembly Bill 2051, and concluded that LAX complied in all material respects with the requirements applicable to and that could have a material effect on its customer facility charge program for the fiscal year ended June 30, 2021. Moss Adams' report is on pages 135 and 136. GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of Management's Discussion and Analysis (MD&A). The MD&A is on pages 5 through 39.

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

No airline dominates in shares of enplaned passengers or provides formal 'hubbing' activity at LAX. Delta Air Lines and American Airlines accounted for 22.1% and 20.2%, respectively, of all enplaned passengers at LAX for fiscal year 2021. For fiscal year 2020, an estimated 82.4% of passengers at LAX represented originating and destination (O&D) passengers (that is, all passengers beginning or ending their trips at LAX). The remaining estimated 17.6% 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.

COVID-19 Pandemic Issues and Impacts

The outbreak of COVID-19, the disease caused by the novel coronavirus SARS-CoV2, and related restrictions and measures adopted to contain the spread of the virus have had a negative impact on both international and domestic travel and travel-related industries, including airlines serving LAWA and LAWA's concessionaires, and have caused unemployment and a contraction of global and national economies. In the first several months of the pandemic, airlines reported an unprecedented decrease in domestic and international air traffic, causing the cancellation of numerous flights, as well as expectations for continued reduced levels of traffic. Many of LAWA's retail concessionaires temporarily closed or reported substantial declines in sales. These concession arrangements include gross sales payment mechanisms and, accordingly, such reductions in sales reduced LAWA's revenues from these concessionaires. The concession arrangements also include minimum annual guarantee (MAG) payments, some of which were temporarily waived by LAWA. In addition to the impact on concessionaires, the reduction in air travel had an adverse effect on parking, transportation network companies (TNC), ground transportation (such as taxi and limousine) and rental car revenues throughout LAWA. LAX traffic has been gradually coming back since the initial disruption, and as of the end of fiscal year 2021, LAX passenger traffic was 29.1 million passengers, which is 53.7% below fiscal year 2020 and 67.0% below the pre-pandemic level in fiscal year 2019.

The widespread distribution of effective vaccines is expected to have a positive impact on demand for domestic and international air travel. The length of the pandemic itself will likely depend on the effectiveness of the COVID-19 vaccine roll-outs in the United States and abroad. LAWA cannot predict the ultimate impact of the COVID-19 vaccines and other vaccines on domestic or international air travel.

LAWA management has taken proactive measures to mitigate the financial and operational impacts of COVID-19 pandemic and has also implemented a series of new multiyear strategic objectives to stabilize LAX's financial operations and strengthen the competitive position of LAX in the route network of domestic and international airlines during and after the COVID-19 pandemic. In addition to LAWA's actions, the federal government passed the following legislation which, among other things, includes the award of certain grants to the operators of all U.S. airports to assist with managing the financial effects of the COVID-19 pandemic: Coronavirus Aid, Relief, and Economic Security Act, the Coronavirus Response and Relief Supplemental Appropriation Act, and the American Rescue Plan Act.

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

LAWA was allocated approximately $323.6 million of federal grant assistance for LAX under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), which became law on March 27, 2020. As of June 30, 2021, LAWA had drawn all $323.6 million CARES Act grant funds for LAX to pay LAX maintenance and operation expenses and debt service.

The Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), which became law on December 27, 2020, provides additional direct aid for airports. This includes a total of $1.75 billion in federal funding for costs related to operations, personnel, cleaning, sanitization, janitorial services, combating the spread of pathogens at airports (including capital improvements related to combating the spread of pathogens), and debt service payments, and a total of $200.0 million for airports to provide relief from rent and MAG to on-airport car rental, on-airport parking, and in-terminal airport concessions located at 'primary' airports, such as LAX. The funding for concessions relief is to be distributed based on the eligible concession's proportionate share of total rent for all eligible concessions, with prioritization given to minority-owned businesses. On February 12, 2021, the FAA announced that LAX was eligible to receive up to $72.3 million in Airport Coronavirus Response Grant Program funds pursuant to CRRSAA. The Airport Coronavirus Response Grant Program funds may be drawn from the FAA on a reimbursement basis for eligible expenditures as described above. The Airport Coronavirus Response Grant Program funds may also be used to reimburse airports for rent and MAG relief programs for concessions as described above, and LAWA may retain up to two percent of the allocation amount for relief program administration costs. Of the total $72.3 million in CRRSAA grant funding for which LAX is eligible, $63.1 million must be used for operational relief and $9.2 million for concessions relief. As of June 30, 2021, LAWA has not drawn any of the $72.3 million in CRRSAA grant funding.

The American Rescue Plan Act (ARPA), which became law on March 11, 2021, provides additional direct aid for airports. On June 22, 2021, the FAA announced $8 billion in Airport Rescue Grants under ARPA to keep U.S. airport workers employed and construction projects going and to help U.S. airports recover from the impacts of the COVID-19 pandemic. The FAA also announced that LAX is eligible to receive $303.8 million in American Rescue Grants pursuant to ARPA. Closely paralleling the structure and requirements of the Airport Coronavirus Response Grant Program, American Rescue Grants may be drawn from the FAA on a reimbursement basis for eligible expenditures, such as costs for operations, personnel, cleaning, sanitization, combating the spread of pathogens at airports (including capital improvements related to combating the spread of pathogens) and debt service payments. The American Rescue Grants also allow for the reimbursement to airports of rent relief programs targeted to in-terminal airport concessions. Unlike CRRSAA, on-airport car rental and parking concessionaires are not eligible for rent relief under ARPA; provided that, per the FAA, an on-airport car rental concessionaire may be eligible for rent relief under ARPA if it has a service desk located within the terminal. Furthermore, ARPA does not provide for the reimbursement of administrative expenses for providing relief to airport concessionaires, though such expenses are eligible for reimbursement under CRRSAA. Of the total $303.8 million in American Rescue grant funding for which LAX is eligible, $267 million must be used for operational relief and $36.8 million for concessions relief. As of June 30, 2021, LAWA has not drawn any of the $303.8 million in American Rescue grant funding.

Economic Relief Grant Allocations from the Federal Aviation Administration to LAX:

Federal Program	Amount (in millions)
CARES Act	$ 323.6
CRRSAA	72.3
ARPA	303.8
Total	$ 699.7

LAWA must draw down and spend its Airport Coronavirus Response Grant Program funds awarded pursuant to CRRSAA and its American Rescue Grants awarded pursuant to ARPA within four years. As noted above, LAWA has already drawn all of its LAX CARES Act grant funds to pay LAX maintenance and operation expenses and debt service.

Airports in the United States have been acutely impacted by the reductions in passenger volumes and flights, as well as by the broader economic activity reductions resulting from the COVID-19 pandemic. Airlines serving LAX have reduced or cancelled flights and curtailed their overall capacity due to the drop in demand for both domestic and international air travel in an attempt to match capacity to the modified demand for air travel. Passenger traffic at LAX decreased by 53.7% in fiscal year 2021 as compared to fiscal year 2020. The continuing impact of the COVID-19 pandemic on air travel through LAX and on LAX's operations, budget and finances will heavily depend on future events outside of the control of LAWA. As a result of these uncertainties, LAWA expects to regularly review revenue projections and make adjustments throughout fiscal year 2022.

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

LAWA's Mitigation Measures in Response to COVID-19

In response to the COVID-19 pandemic, LAWA has implemented measures intended to mitigate operational and financial impacts, including: hiring limits, except for specific critical positions; 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; collaborating with the 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 COVID-19 pandemic. LAWA also implemented a Separation Incentive Program (SIP) as part of the fiscal year 2021 budget plan to manage headcount. Under the SIP, cash payments were provided for eligible LAWA employees who chose to voluntarily retire from the City of Los Angeles. A total of 334 employees chose to participate in the program to voluntarily terminate their employment with LAWA, and departed by the end of April 2021.

Passenger Airline Temporary Relief Program and Concessionaires and Services Temporary Relief Program

LAWA provided temporary relief to airlines and concessionaires and service providers at LAX. A temporary terminal and airfield fee relief program with respect to passenger airlines serving LAX (Passenger Airline Temporary Relief Program) permitted eligible passenger air carriers subject to a terminal lease or the Airport Terminal Tariff to apply for relief, which relief included deferral of terminal and airfield fees payable from April through May 2020. All airlines that received a deferral of terminal and airfield fees have repaid the same in accordance with the requirements of the Passenger Airline Temporary Relief Program. LAWA also implemented a fee relief program for LAX concessionaires and service providers at LAX (Concessionaires and Services Temporary Relief Program), which provided for the waiver of the minimum annual guarantees (MAGs), lower fees and deferrals. The Concessionaires and Services Temporary Relief Program ended on June 30, 2021. On October 21, 2021, the Board approved to amend concession agreements at LAX to revise payment terms due to the continuing impacts of COVID-19. For concessions that are open and conducting business at LAX, the Board approved to extend the revised rent payment terms, require payment of percentage rents instead of MAG rent for the period July 1, 2021 through June 30, 2022, and establish new MAG rents effective July 1, 2022. LAWA plans to use ARPA grant funds to offset the revenue LAWA will forgo by continuing to suspend MAG payments through June 30, 2022.

Airline Cost Stabilization and Recovery Plan

LAWA has developed a multi-year plan (Airline Cost Stabilization and Recovery Plan) to enhance the competitive position of LAX during and after the COVID-19 pandemic by lowering annual fixed costs at LAX through, among other things, a restructuring of certain debt service costs and managing rates and charges at LAX from calendar year 2020 through fiscal year 2023. The key objectives of the Airline Cost Stabilization and Recovery Plan are to: (i) mitigate the increase in rates and charges for airlines due to reduced activity; (ii) harmonize common use costs across LAX; and (iii) achieve stability in LAX financial operations. Specifically, the proposed annual fixed cost reductions and corresponding reductions in airline rates and charges would be achieved by: (i) using some of the U.S. government stimulus funds to pay certain LAX maintenance and operation expenses and other eligible costs such as debt service, (ii) refunding and restructuring approximately $379.7 million in outstanding principal and interest on the outstanding existing senior bonds and existing subordinate bonds, and (iii) deferring and restructuring annual amortization charges of LAWA cash that has been spent on capital projects in airline cost centers.

Debt Service Restructuring

Through the Airport Terminal Tariff or terminal leases, LAWA passes through debt service, among certain other costs, to its aeronautical users. The restructuring of certain debt service costs allows LAWA to lower, for certain periods, the annual cost and related airline rates and charges associated with terminal buildings, airfields, and other airline-used facilities at LAX to better match the current and anticipated-near term utilization levels of those facilities.

Other Cost Management Measures

The Airline Cost Stabilization and Recovery Plan included LAWA's completion of the transition of a lease between LAWA and an airline consortium to a third-party service contract, which occurred in May 2021. This transition gives LAWA control of the rates and fees charged for the use of certain common facilities, reduces near-term costs, unifies the baggage system cost rate for domestic and international aeronautical users and eliminates the current system of rates which differs amongst terminals. Unifying the baggage system cost rate also allows LAWA to coordinate airline use in the terminals and facilitate growth in aviation activity.

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 work streams include: (1) improving the Department's fiscal position, (2) engaging and communicating with stakeholders, (3) completing construction and repairs faster, (4) making the airports safer, (5) setting up the Department for success, (6) bringing employees back to work, and (7) preparing the airports for the resumption of travel. The COVID-19 Recovery Task Force was convened and is led by the Chief Executive Officer. Each work stream is led by an executive team member, and work stream teams are comprised of staff throughout LAWA. LAWA will continue to review its efforts and measures to best deal with and mitigate any lasting effects of the COVID-19 pandemic on LAWA operations and financial condition as well as the continuing recovery efforts.

LAX's operations are supported solely by revenues generated by the department. LAX 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.

In April 2019, LAWA started an environmental review process on an Airfield and Terminal Modernization Project (ATMP). On Oct 7, 2021, the Board certified the Final Environmental Impact Report (FEIR) for the ATMP, adopted the associated documents; approved the LAX Specific Plan Compliance Review Determination; and approved the LAX ATMP as described in the FEIR. The environmental review process of the ATMP is expected to conclude in December 2021. The ATMP would be designed to elevate the passenger experience and to increase efficiency and safety within the north airfield at LAX. The ATMP includes several individual components, including, among others, reconfiguration of taxiways, a new terminal and a new concourse. Specifically, the proposed terminal improvements could include the construction of (i) Concourse “0” as an easterly extension of Terminal 1; (ii) Terminal 9, a new passenger terminal located south of Century Boulevard and east of Sepulveda Boulevard; (iii) new arrival and departures roadways; and (iv) a new station on the planned APM System. If approved, these new projects could be targeted for completion by 2028.

Justin Erbacci
Chief Executive Officer
November 8, 2021

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

Annual Financial Report
Fiscal years ended June 30, 2021 and 2020

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Financial Section

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MOSSADAMS

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 International Airport ("LAX"), a department of Los Angeles World Airports (Department of Airports of the City of Los Angeles, California) ("LAWA"), an Enterprise Fund of the City of Los Angeles ("City"), which comprise the statements of net position as of June 30, 2021 and 2020, and the related statements of revenues, expenses, changes in net position, and cash flows for the years then ended and the related notes to the financial statements.

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 LAX as of June 30, 2021 and 2020, 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 Matter

Basis of Presentation

As discussed in Note 1, the financial statements of LAX 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 LAX. They do not purport to, and do not, present fairly the net position of LAWA or the City as of June 30, 2021 and 2020, the changes in City's 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, the schedule of LAX's proportionate share of the net pension liability, the schedule of contributions – pension, the schedule of LAX's proportionate share of the net other postemployment benefit (OPEB) liability, and the schedule of contributions – OPEB be presented to supplement the financial statements. Such information, although not part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audits of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements of LAX. The accompanying compliance section listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2021, on our consideration of LAX's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of LAX's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LAX's internal control over financial reporting and compliance.

Moss Adams LLP

Los Angeles, California
November 8, 2021

Management's Discussion and Analysis (Unaudited)

2021 Annual Financial Report
Los Angeles International Airport

Management's Discussion and Analysis (Unaudited)

Los Angeles World Airports

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

Los Angeles International Airport

Management's Discussion and Analysis (Unaudited)
June 30, 2021 and 2020

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 LAX's financial activities for the fiscal years ended June 30, 2021 and 2020. This discussion and analysis should be read in conjunction with LAX's financial statements that begin on page 43.

Using This Financial Report

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

The *Statements of Net Position* present information on all of LAX's assets, deferred outflows of resources, liabilities, and deferred inflows of resources at June 30, 2021 and 2020. The difference between (a) assets and deferred outflows of resources, and (b) liabilities and deferred inflows of resources is reported as net position. Over time, increases and decreases in net position may serve as a useful indicator about whether LAX's financial condition is improving or deteriorating.

The *Statements of Revenues, Expenses and Changes in Net Position* present the results of LAX's operations and information showing the changes in net position for the fiscal years ended June 30, 2021 and 2020. These statements can, among other things, be useful indicators of how LAX recovered its costs through rates and charges. All changes in net position are reported when the underlying events occurred, regardless of the timing of the related cash flows. Thus, revenues and expenses are recorded and reported in these statements for some items that will result in cash flows in future periods.

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

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

Passenger and Other Traffic Activity Highlights

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

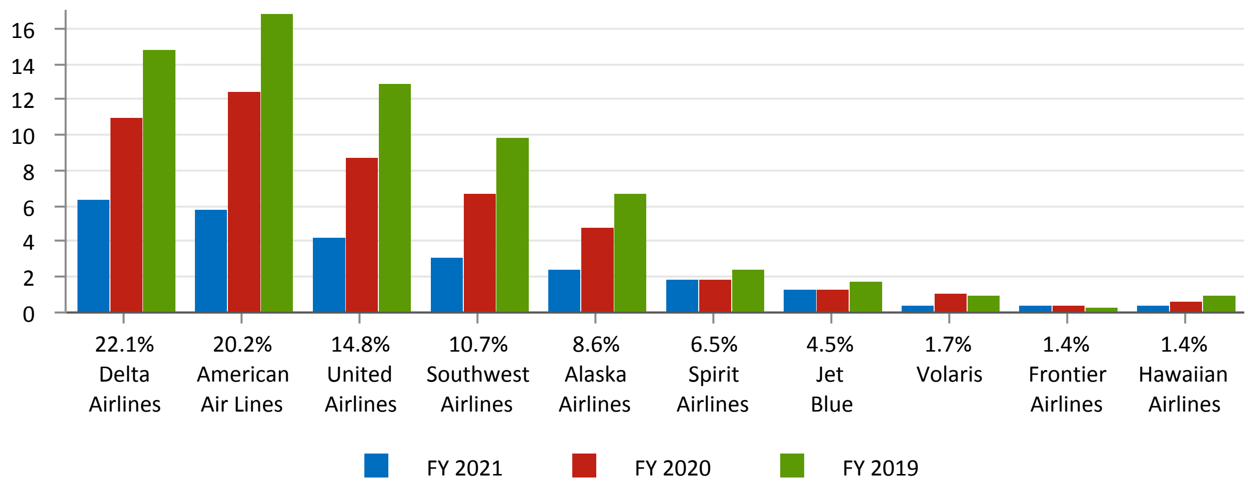
				% Change	
	FY 2021	FY 2020	FY 2019	FY 2021	FY 2020
Total passengers	29,050,631	62,715,070	87,905,468	-53.7%	-28.7%
Domestic passengers	24,688,871	44,801,765	61,983,392	-44.9%	-27.7%
International passengers	4,361,760	17,913,305	25,922,076	-75.7%	-30.9%
Departing passengers	14,593,791	31,429,457	44,207,464	-53.6%	-28.9%
Arriving passengers	14,456,840	31,285,613	43,698,004	-53.8%	-28.4%
Passenger flight operations					
Departures	152,896	245,003	316,179	-37.6%	-22.5%
Arrivals	152,702	244,825	315,939	-37.6%	-22.5%
Landing weight					
(thousand lbs)	40,055,175	53,270,947	64,746,783	-24.8%	-17.7%
Air cargo (tons)					
Mail	130,952	134,515	117,094	-2.6%	14.9%
Freight	2,686,358	2,150,930	2,284,337	24.9%	-5.8%

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 chart presents the top ten airlines, by number of passengers, for fiscal year 2021 and the comparative passengers for fiscal years 2020 and 2019.

FY 2021 Top Ten Carriers and FY 2021 Percentage of Market Share
(passengers in millions)



Passenger Traffic, Fiscal Year 2021

Passenger traffic at LAX decreased by 53.7% in fiscal year 2021 as compared to fiscal year 2020. Of the 29.1 million passengers that moved in and out of LAX, domestic passengers accounted for 85.0%, while international passengers accounted for 15.0%. Delta Airlines ferried the largest number of passengers at 6.4 million with a 41.8% decrease in passenger traffic. American Airlines, ranked second with 5.9 million passengers posted a 52.8% decrease in passenger traffic. United Airlines, ranked third with 4.3 million passengers posted a 51.1% decrease in passenger traffic. Southwest Airlines (3.1 million and Alaska Airlines (2.5 million complete the top five air carriers operating at LAX. Volaris was the top foreign flag carrier with 0.5 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 continued to cause significant disruptions to domestic and international passenger travel at LAX. Restrictions imposed by governments around the world, including, but not limited to, mandatory 14-day quarantine periods, proof of a negative COVID-19 test, or bans on non-essential travel have more severely curtailed international travel than domestic travel.

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. 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 Flight Operations, Fiscal Year 2021

Departures and arrivals at LAX decreased by 184,230 flights or 37.6% during fiscal year 2021 when compared to fiscal year 2020. Revenue landing pounds were down 24.8%. The top three carriers in terms of landing pounds were Delta Airlines, American Airlines and United Airlines. In total, these three airlines contributed 36.6% of the total revenue pounds at LAX.

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.

Air Cargo (tons), Fiscal Year 2021

Freight and mail cargo at LAX increased by 23.3% in fiscal year 2021 as compared to fiscal year 2020. Freight was up by 535,428 tons, and mail was down by 3,563 tons. Domestic cargo was up by 199,245 tons or 23.3% and international cargo was up by 332,620 tons or 23.3%. Federal Express was the top air freight carrier accounting for 13.7% of total freight cargo, followed by Kalitta Air LLC with 9.9%. Kalitta Air LLC was the top mail carrier accounting for 42.9% of total mail cargo.

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.

Overview of LAX's Financial Statements

Financial Highlights, Fiscal Year 2021

- LAX's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $5.7 billion.
- Bonded debt had a net increase of $1.5 billion.
- Operating revenue totaled $1.0 billion.
- Operating expenses (including depreciation and amortization of $439.3 million) totaled $1.2 billion.
- Net nonoperating expenses totaled $214.9 million.
- Federal and other government capital grants totaled $313.0 million (including CARES Act grant of $271.2 million).
- Net position decreased by $64.8 million.

Financial Highlights, Fiscal Year 2020

- LAX'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 $261.8 million.
- Operating revenue totaled $1.3 billion.
- Operating expenses (including depreciation and amortization of $445.9 million) totaled $1.3 billion.
- Net nonoperating expenses totaled $6.4 million.
- Federal and other government capital grants totaled $86.0 million (including CARES Act grant of $52.4 million).
- Net position increased by $86.7 million.

Management's Discussion and Analysis (Unaudited)
June 30, 2021 and 2020
(continued)

Net Position Summary

A condensed summary of net position for fiscal years as of June 30, 2021, 2020, and 2019 is presented below:

Condensed Net Position
(amounts in thousands)

	FY 2021	FY 2020	FY 2019	FY 2021 increase (decrease)	FY 2020 increase (decrease)
Assets					
Unrestricted current assets	$ 1,595,567	$ 1,228,523	$ 1,067,124	$ 367,044	$ 161,399
Restricted current assets	1,316,887	2,110,235	2,997,978	(793,348)	(887,743)
Capital assets, net	14,255,646	12,086,167	10,799,574	2,169,479	1,286,593
Other noncurrent assets	—	21,204	28,179	(21,204)	(6,975)
Total assets	17,168,100	15,446,129	14,892,855	1,721,971	553,274
Deferred outflows of resources					
Loss on debt refundings	33,681	35,732	37,806	(2,051)	(2,074)
Pension and OPEB	320,967	181,271	211,160	139,696	(29,889)
Total deferred outflows of resources	354,648	217,003	248,966	137,645	(31,963)
Liabilities					
Current liabilities payable from unrestricted assets	771,240	577,838	441,547	193,402	136,291
Current liabilities payable from restricted assets	232,619	209,432	212,876	23,187	(3,444)
Noncurrent liabilities	9,598,211	8,105,706	7,828,006	1,492,505	277,700
Net pension liability	1,006,766	807,685	773,419	199,081	34,266
Net OPEB liability	80,411	68,484	77,769	11,927	(9,285)
Total liabilities	11,689,247	9,769,145	9,333,617	1,920,102	435,528
Deferred inflows of resources					
Gain on debt refundings	40,508	24,271	3,681	16,237	20,590
Pension and OPEB	55,399	67,305	88,810	(11,906)	(21,505)
Total deferred inflows of resources	95,907	91,576	92,491	4,331	(915)
Net Position					
Net investment in capital assets	5,205,879	4,940,094	4,782,855	265,785	157,239
Restricted for capital projects	335,431	788,862	814,098	(453,431)	(25,236)
Restricted for operations and maintenance reserve	236,443	240,776	221,137	(4,333)	19,639
Restricted for federally forfeited property & protested funds	2,242	1,978	1,526	264	452
Unrestricted	(42,401)	(169,299)	(103,903)	126,898	(65,396)
Total net position	$ 5,737,594	$ 5,802,411	$ 5,715,713	$ (64,817)	$ 86,698

Net Position, Fiscal Year 2021

As noted earlier, net position may serve as a useful indicator of LAX's financial condition. At the close of fiscal years 2021 and 2020, LAX's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $5.7 billion and $5.8 billion, respectively, representing a decrease of 1.1% or $64.8 million.

The largest portion of LAX's net position ($5.2 billion or 90.7%) reflects its investment in capital assets (e.g. land, air easements, buildings, improvements, equipment and vehicles) less accumulated depreciation and any related outstanding debt used to acquire those assets. An additional portion of LAX's net position ($574.1 million or 10.0%) represents resources that are subject to various restrictions on how they may be used. Unrestricted net position increased by $126.9 million from $(169.3) million in fiscal year 2020 to $(42.4) million in fiscal year 2021.

Unrestricted current assets increased by $367.0 million or 29.9%, from $1.2 billion at June 30, 2020 to $1.6 billion at June 30, 2021. The increase was primarily driven by an increase in cash and pooled investments held in City Treasury of $501.6 million or 50.9%, and an increase in unbilled receivables of $35.9 million, offset by a decrease in accounts receivable balance of $91.9 million or 90.7%, and a decrease in grants receivable of $69.2 million or 94.5%, in fiscal year 2021.

Unrestricted current assets consist primarily of cash and pooled investments (including reinvested cash collateral in 2021) 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 $501.6 million was due to higher cash inflows than outflows in fiscal year 2021. The decrease in accounts receivable of $91.9 million at June 30, 2021 was a result of LAX's mitigation measures in response to COVID-19. Unbilled receivables, which represented the year-end accrual for unbilled revenue, increased as a result of higher passenger level in June 2021 as compared to June 2020. Also, accrual activities were minimal at June 30, 2020 due to LAWA's mitigation measures in response to COVID-19.

In response to the COVID-19 pandemic, LAWA has implemented measures intended to mitigate operational and financial impacts, including: hiring limits, except for specific critical positions; 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; collaborating with the 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 COVID-19 pandemic. LAWA also implemented a Separation Incentive Program (SIP)[3] as part of the fiscal year 2021 budget plan to manage headcount. Under the SIP, cash payments were provided for eligible LAWA employees who chose to voluntarily retire from the City of Los Angeles. A total of 334 employees chose to participate in the program to voluntarily terminate their employment with LAWA, and departed by the end of April 2021.

[3] *LAWA made cash payments totaling $17.6 million (LAX recognized $17.3 million) under the SIP through June 30, 2021. There was no other SIP in fiscal vear 2021.*

Management's Discussion and Analysis (Unaudited)
June 30, 2021 and 2020
(continued)

LAWA provided temporary relief to airlines and concessionaires and service providers at LAX. A temporary terminal and airfield fee relief program with respect to passenger airlines serving LAX (Passenger Airline Temporary Relief Program) permitted eligible passenger air carriers subject to a terminal lease or the Airport Terminal Tariff to apply for relief, which relief included deferral of terminal and airfield fees payable from April through May 2020. All airlines that received a deferral of terminal and airfield fees have repaid the same in accordance with the requirements of the Passenger Airline Temporary Relief Program.

LAWA also implemented a fee relief program for LAX concessionaires and service providers at LAX (Concessionaires and Services Temporary Relief Program), which provided for the waiver of the minimum annual guarantees (MAGs), lower fees and deferrals. The Concessionaires and Services Temporary Relief Program ended on June 30, 2021. On October 21, 2021, the Board approved to amend concession agreements at LAX to revise payment terms due to the continuing impacts of COVID-19. For concessions that are open and conducting business at LAX, the Board approved to extend the revised rent payment terms, require payment of percentage rents instead of MAG rent for the period July 1, 2021 through June 30, 2022, and establish new MAG rents effective July 1, 2022. LAWA plans to use ARPA grant funds to offset the revenue LAWA will forgo by continuing to suspend MAG payments through June 30, 2022.

The decrease in grants receivable of $69.2 million at June 30, 2021 was primarily a result of the fully drawdown of 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. LAX was awarded CARES Act grants in the amount of $323.6 million, payable on a reimbursement basis. In LAX, the amount of $271.2 million was fully drawn in fiscal year 2021 whereas the amount of $52.4 million was recognized as grants receivable in fiscal year 2020.

Restricted current assets include cash and investments (including reinvested cash collateral in 2021) 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 $793.3 million or 37.6%, from $2.1 billion at June 30, 2020 to $1.3 billion at June 30, 2021. The decrease was primarily driven by a decrease in restricted cash and pooled investments held in City Treasury of $423.6 million, or 40.3%, and a decrease in year-end investment portfolio held by fiscal agents of $390.0 million, or 37.0%.

The decrease in restricted cash and pooled investments held in City Treasury of $423.6 million, or 40.3% from $1.1 billion in fiscal year 2020 to $627.5 million in fiscal year 2021 was due to higher cash outflows than inflows in fiscal year 2021. The decrease in year-end investment portfolio held by fiscal agents of $390.0 million, or 37.0% from $1.1 billion in fiscal year 2020 to $664.8 million in fiscal year 2021 was mainly due to higher drawdown to reimburse on-going construction activities at LAX in fiscal year 2021.

LAX'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 $2.2 billion, or 18.0%. Ongoing construction and improvements to modernize LAX terminals and facilities, and the Landside Access Modernization Program (LAMP) including the construction of Automated People Mover System (APM) and Consolidated Rental Car Facility (ConRAC), together with the completed Bradley West Gates (formerly known as Midfield Satellite Concourse) were the primary reasons for the increase.

Other noncurrent assets decreased by $21.2 million or 100.0% primarily due to the early payoff of the receivable from Ontario International Airport Authority (OIAA) in fiscal year 2021. Based on the Ontario International Airport (ONT) Settlement Agreement in 2016, LAX was 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 as of June 30, 2020.

Current liabilities payable from unrestricted assets increased by $193.4 million or 33.5%. This was mainly due to an increase of $170.0 million or 40.1% in contracts and accounts payable, and an increase of $35.1 million or 55.6% in commercial paper, an increase of $11.5 million or 37.5% in other current liabilities, and an increase of $5.3 million or 83.3% in obligations under securities lending transactions, offset by a decrease of $29.8 million or 77.2% in accrued salaries. The increase in contracts and accounts payable was primarily due to the year-end accruals of capital expenditures for the on-going construction projects including the APM milestones payment of $149.6 million made in July 2021. The increase in commercial paper notes was primarily due to the increase in interim financing for the on-going construction projects. The increase in other current liabilities was primarily a result of the settlement 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 $22.8 million in fiscal year 2021**.** The decrease in accrued salaries was primarily a result of lower number of working days for accrual in fiscal year 2021, in addition to the accruals of $17.0 million incentive payment for the SIP in fiscal year 2020 and none in fiscal year 2021.

Current liabilities payable from restricted assets increased by $23.2 million or 11.1%. This was mainly due to an increase of $15.9 million in accrued interest payable, an increase in LAWA's share of the City Treasury's year-end pending investment trade of $6.5 million, and an increase of $3.2 million in current maturities of bonded debt, offset by a decrease of $2.4 million or 37.0% in obligations under securities lending transactions in fiscal year 2021. The increase in accrued interest payable was primarily due to the $2.0 billion bond issuances in fiscal year 2021.

The increase in noncurrent liabilities was $1.7 billion or 19.0%. This was primarily a result of bond issuances of $2.0 billion with net change in premium of $433.1 million, offset by partial refunding and defease all of the outstanding Series 2010A senior revenue bonds, Series 2010B subordinate revenue bonds and Series 2010D senior revenue bonds in the amount of $316.9 million, $134.7 million and $315.8 million, respectively; in addition to the recognition of $144.2 million as current bonded debt in fiscal year 2021. The increase was also attributable to the recognition of additional proportionate share of net pension liability (NPL) of $199.1 million or 24.6%, and net OPEB liability (NOL) of $11.9 million or 17.4% in fiscal year 2021. The increase in additional proportionate share of NPL and NOL was primarily due to a return on the market value of retirement plan assets of 2.05% during fiscal year 2020 that was less than the assumption of 7.25% used in the June 30, 2019 valuation, and changes in the actuarial assumptions from 7.25% to 7.00% along with a reduction of inflation rate from 3.00% to 2.75% in fiscal year 2021.

Net Position, Fiscal Year 2020

As noted earlier, net position may serve as a useful indicator of LAX's financial condition. At the close of fiscal years 2020 and 2019, LAX's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $5.8 billion and $5.7 billion, respectively, representing an increase of 1.5% or $86.7 million.

The largest portion of LAX's net position ($4.9 billion or 85.1%) reflects its investment in capital assets (e.g. land, air easements, buildings, improvements, equipment and vehicles) less accumulated depreciation and any related outstanding debt used to acquire those assets. An additional portion of LAX's net position ($1.0 billion or 17.8%) represents resources that are subject to various restrictions on how they may be used. Unrestricted net position decreased by $65.4 million from $(103.9) million in fiscal year 2019 to $(169.3) million in fiscal year 2020.

Unrestricted current assets increased by $161.4 million or 15.1%, from $1.1 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 $64.3 million or 7.0%, an increase in accounts receivable balance of $97.5 million or 2,578.6%, and an increase in grants receivable of $56.3 million or 331.8%, offset by a decrease in unbilled receivables of $49.8 million or 100.0% 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 $64.3 million was due to higher cash inflows than outflows in fiscal year 2020. The increase in accounts receivable of $97.5 million at June 30, 2020 was a result of LAX'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):

- LAX 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, LAX 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 $56.3 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. LAX was awarded CARES Act grants in the amount of approximately $323.6 million, payable on a reimbursement basis. LAX 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 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.

LAX'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 Bradley West Gates (formerly known as Midfield Satellite Concourse), and the LAMP including the construction of APM and ConRAC were the primary reasons for the increase.

Other noncurrent assets decreased by $7.0 million or 24.8% primarily due to the shift of the long-term receivable from OIAA to current assets. Based on the ONT Settlement Agreement in 2016, LAX was 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 $136.3 million or 30.9%. This was mainly due to an increase of $148.3 million or 53.7% in contracts and accounts payable, an increase of $15.4 million or 66.6% in accrued salaries, an increase of $12.5 million or 69.4% 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 SIP 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 of $2.3 million in accrued interest payable, and an increase in LAX's share of the City Treasury's year-end pending investment trade of $2.3 million in fiscal year 2020.

The increase in noncurrent liabilities was $0.3 billion 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 NPL of $34.3 million or 4.4%, offset by the decrease in NOL of $9.3 million or 11.9% in fiscal year 2020.

Changes in Net Position Summary

A condensed summary of LAX's changes in net position for fiscal years ended June 30, 2021, 2020, and 2019 is presented below:

Condensed Changes in Net Position
(amounts in thousands)

	FY 2021	FY 2020	FY 2019	FY 2021 increase (decrease)	FY 2020 increase (decrease)
Operating revenue	$ 1,047,208	$ 1,340,723	$ 1,514,367	$ (293,515)	$ (173,644)
Less- Operating expenses	770,785	887,668	798,374	(116,883)	89,294
Operating income before depreciation and amortization	276,423	453,055	715,993	(176,632)	(262,938)
Less- Depreciation and amortization	439,347	445,887	402,646	(6,540)	43,241
Operating income	(162,924)	7,168	313,347	(170,092)	(306,179)
Other nonoperating revenue (expenses), net	(214,925)	(6,448)	85,172	(208,477)	(91,620)
Federal and other government grants	313,032	85,978	29,864	227,054	56,114
Changes in net position	(64,817)	86,698	428,383	(151,515)	(341,685)
Net position, beginning of year	5,802,411	5,715,713	5,287,330	86,698	428,383
Net position, end of year	$ 5,737,594	$ 5,802,411	$ 5,715,713	$ (64,817)	$ 86,698

Operating Revenue

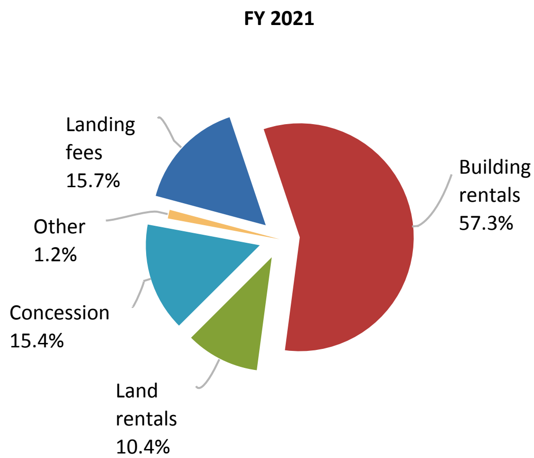
LAX derives its operating revenue from several major airport business activities. The following table presents a summary of these business activities during fiscal years 2021, 2020, and 2019:

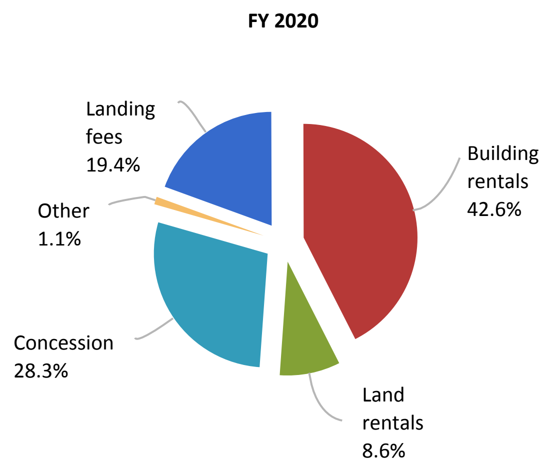
Summary of Operating Revenue
(amounts in thousands)

	FY 2021	FY 2020	FY 2019	FY 2021 increase (decrease)	FY 2020 increase (decrease)
Aviation revenue					
Landing fees	$ 164,693	$ 259,185	$ 295,724	$ (94,492)	$ (36,539)
Building rentals	600,399	571,478	581,946	28,921	(10,468)
Land rentals	109,556	115,523	118,145	(5,967)	(2,622)
Other aviation revenue	7,746	7,334	7,390	412	(56)
Total aviation revenue	882,394	953,520	1,003,205	(71,126)	(49,685)
Concession revenue	161,423	380,331	501,167	(218,908)	(120,836)
Other operating revenue	4,647	8,044	9,995	(3,397)	(1,951)
Total operating revenue before reliever fee	1,048,464	1,341,895	1,514,367	(293,431)	(172,472)
Reliever airport fee (landing fees offset)	(1,256)	(1,172)	—	(84)	(1,172)
Total operating revenue	$ 1,047,208	$ 1,340,723	$ 1,514,367	$ (293,515)	$ (173,644)

Operating Revenue, Fiscal Year 2021

The following chart illustrates the proportion of sources of operating revenue, before reliever airport fee, for fiscal years ended June 30, 2021 and 2020. Other aviation and other operating revenue were added and labeled "Other."





For the fiscal year ended June 30, 2021, total operating revenue before reliever airport fees was $1.0 billion, a decrease of $293.4 million or 21.9% from the prior fiscal year. Aviation related revenue decreased by $71.1 million or 7.5%. Non-aviation revenue decreased by $222.3 million or 57.2%, including a decrease in concession of $218.9 million or 57.6%, and a decrease in other operating revenue of $3.4 million, or 42.2%. 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 for the fiscal year ended June 30, 2021 decreased by $94.5 million, or 36.5%. The decrease in landing fees was primarily due to 24.8% reduction in landed weights in fiscal year 2021 as impacted by COVID-19 described above, offset by the application of federal funds to the landing fee cost centers at LAX.

Building rental increased by $28.9 million or 5.1% from $571.5 million in fiscal year 2020 to $600.4 million in fiscal year 2021. The increase in building rentals was primarily attributable to increased costs of $49.9 million or 10.2% primarily attributable to the increased costs in improvements and refurbishments in the terminals recovered under the Terminal Rate Agreement, offset by decreases in terminal use fees of $21.0 million or 24.7% as a result of the drop in passenger traffic as impacted by COVID-19 in fiscal year 2021, and reduction in common use activity.

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(continued)

Land rental revenue decreased by $6.0 million or 5.2% from $115.5 million in fiscal year 2020 to $109.6 million in fiscal year 2021. The decrease in land rental revenue was primarily due to an overall decrease in leased areas in fiscal year 2021 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 November 2019 .

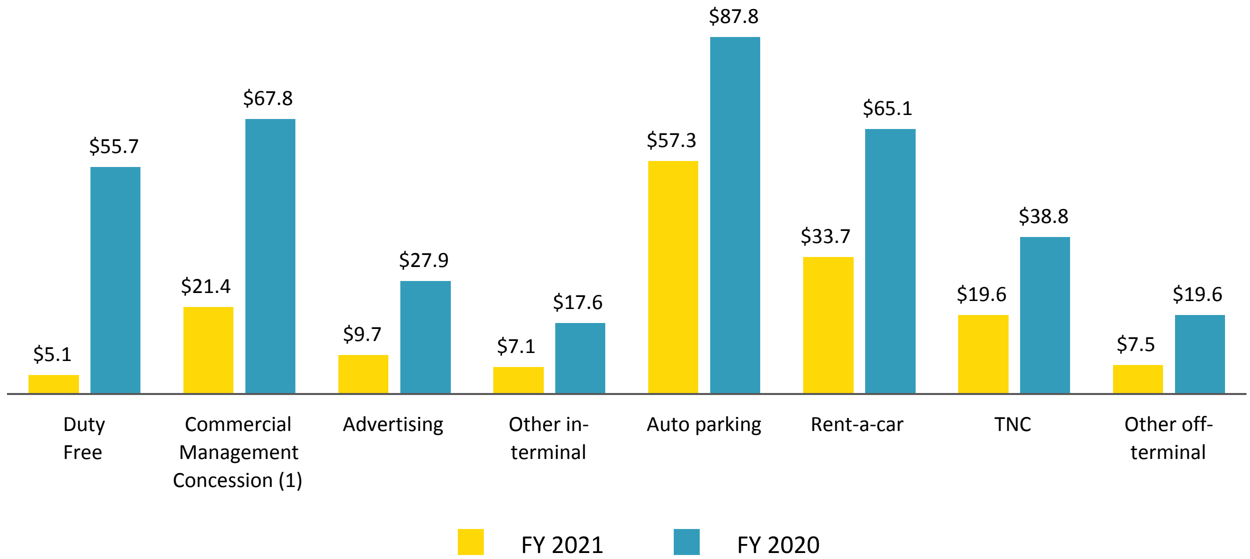
Total revenue from concessions was $161.4 million in fiscal year 2021, a 57.6% reduction from $380.3 million in fiscal year 2020. In-terminal concession revenue includes rentals collected from commercial management concessionaires, food and beverage concessionaires; duty free and retail merchants (gifts, news, and novelty items); and concessionaires for advertising, foreign exchange booths, telecommunications, automated teller machines, luggage cart rental, and security screening services. Off-terminal concession revenue is derived from auto parking, rent-a-car, bus, limousine, taxi services, transportation network companies (TNC) and other commercial ground transportation operations.

In-terminal concession revenue in fiscal year 2021 had a net decrease of $125.7 million or 74.4% as compared to fiscal year 2020. Duty free revenues decreased by $50.6 million, or 90.8%; commercial management concession revenue[4] decreased by $46.4 million or 68.4%; other in-terminal revenue decreased by $10.5 million or 59.7%; and advertising revenue decreased by $18.2 million or 65.2%. The decreases in concession revenue were due to a waiver of minimum annual guarantees (MAGs) and a decrease in percentage rents based on concessionaires' sales due to passenger traffic reduction as impacted by the COVID-19 pandemic.

Off-terminal concession revenue at LAX in fiscal year 2021 was $118.1 million as compared to $211.3 million in fiscal year 2020, a decrease of $93.2 million or 44.1%. The decrease was primarily caused by a decrease in TNC revenue of $19.2 million or 49.5% from fiscal year 2020, a decrease in auto parking of $30.5 million, or 34.7% from fiscal year 2020, and a decrease in rent-a-car revenue of $31.4 million, or 48.2%. The decrease in TNC revenue was primarily due to the decline in ridership caused by the drop in passenger traffic as impacted by COVID-19. The decrease in auto parking revenue was primarily attributed to the decrease in passenger traffic. 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 impacted by the COVID-19 pandemic.

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

Comparative concession revenue by type for fiscal years 2021 and 2020 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 $3.4 million or 42.2% in fiscal year 2021. The decrease was primarily due to $2.1 million reduction in U.S. Customs and Border Protection (CBP) reimbursements caused by a lower passenger level as impacted by the COVID-19 pandemic.

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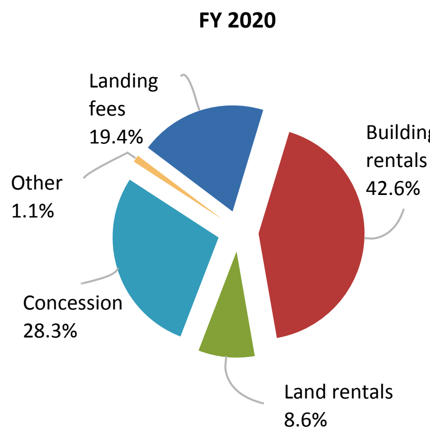
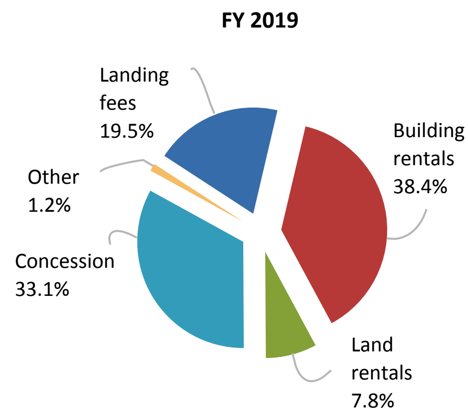
(continued)

Operating Revenue, Fiscal Year 2020

The following chart illustrates the proportion of sources of operating revenue, before reliever airport fees, for fiscal years ended June 30, 2020 and 2019. Other aviation and other operating revenue were added and labeled "Other."





For the fiscal year ended June 30, 2020, total operating revenue before reliever airport fees was $1.3 billion, a decrease of $172.5 million or 11.4% from the prior fiscal year. Aviation related revenue decreased by $49.7 million or 5.0%. Non-aviation revenue decreased by $122.8 million or 24.0%, including decrease in concession of $120.8 million or 24.1% and decrease in other operating revenue of $2.0 million, or 19.5%. 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 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 for the fiscal year ended June 30, 2020 decreased by $36.5 million or 12.4%. 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 rental decreased by $10.5 million or 1.8%, from $581.9 million in fiscal year 2019 to $571.5 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 $21.8 million or 4.7% primarily attributable to the increased costs in improvements and refurbishments in the terminals recovered under the Terminal Rate Agreement.

Land rental revenue decreased by $2.6 million or 2.2%, from $118.1 million in fiscal year 2019 to $115.5 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.

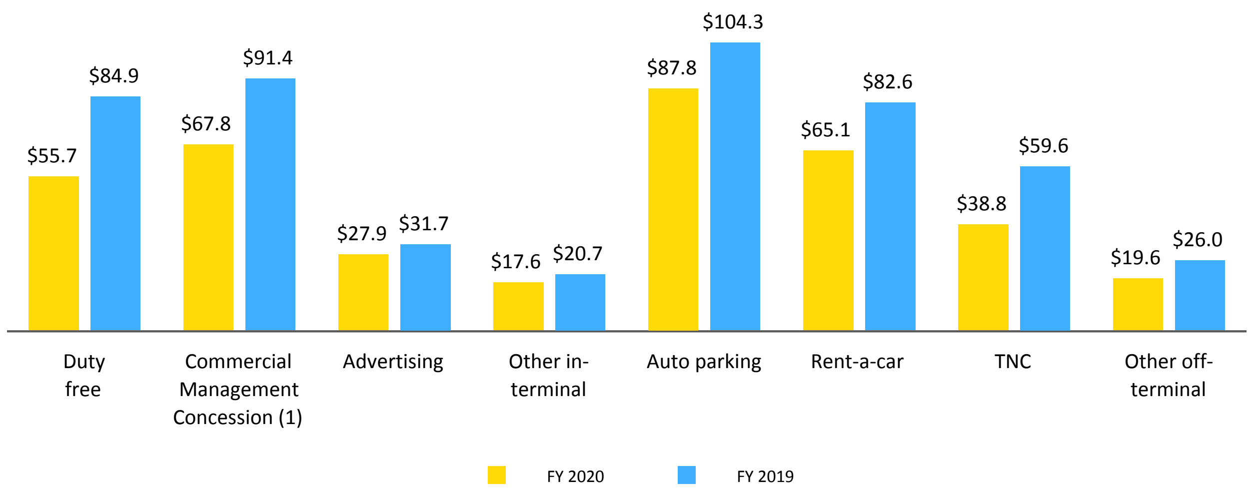
Total revenue from concessions was $380.3 million in fiscal year 2020, a 24.1% reduction from $501.2 million in fiscal year 2019. In-terminal concession revenue includes rentals collected from commercial management concessionaires, food and beverage concessionaires; duty free and retail merchants (gifts, 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, TNC and other commercial ground transportation operations.

In-terminal concession revenue during 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 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 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.

Management's Discussion and Analysis (Unaudited)
June 30, 2021 and 2020
(continued)

Comparative 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 $2.0 million or 19.5% in fiscal year 2020. The decrease was primarily due to a drop in various reimbursements, refunds and penalty fees.

Operating Expenses

The following table presents a summary of LAX's operating expenses for the fiscal years ended June 30, 2021, 2020, and 2019. 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 2021	FY 2020	FY 2019	FY 2021 increase (decrease)	FY 2020 increase (decrease)
Salaries and benefits	$ 484,581	$ 532,563	$ 456,948	$ (47,982)	$ 75,615
Contractual services	188,105	230,647	220,990	(42,542)	9,657
Materials and supplies	43,536	55,493	53,414	(11,957)	2,079
Utilities	39,007	47,334	46,191	(8,327)	1,143
Other operating expenses	18,465	24,719	23,559	(6,254)	1,160
Operating expenses before depreciation	773,694	890,756	801,102	(117,062)	89,654
Depreciation	439,347	445,887	402,646	(6,540)	43,241
Total operating expenses	1,213,041	1,336,643	1,203,748	(123,602)	132,895
Less- allocation to VNY and PMD	2,909	3,088	2,728	(179)	360
Net operating expenses	$ 1,210,132	$ 1,333,555	$ 1,201,020	$ (123,423)	$ 132,535

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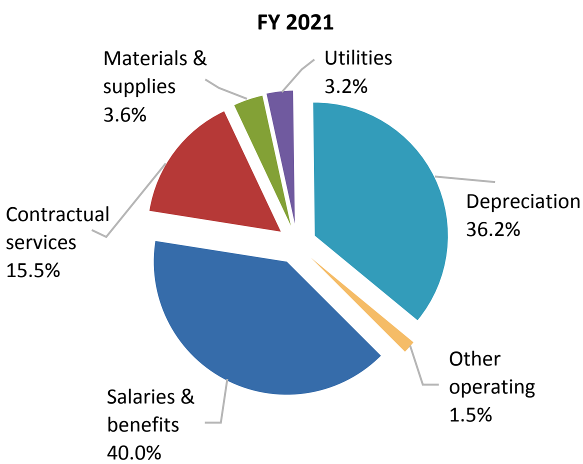
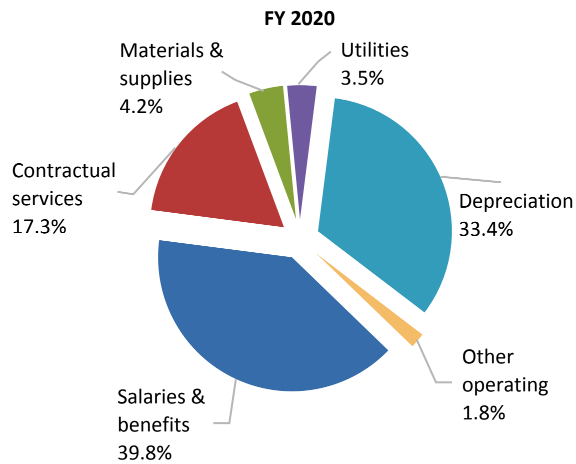
(continued)

Operating Expenses, Fiscal Year 2021

The following chart illustrates the proportion of categories of operating expenses, before allocation to other airports, for fiscal years ended June 30, 2021 and 2020.





For the fiscal year ended June 30, 2021, operating expenses before allocation to other airports were $1.2 billion, a $123.6 million or 9.2% decrease from the prior fiscal year. All expense categories experienced notable reduction including decrease in salaries and benefits of $48.0 million or 9.0%, decrease in contractual services of $42.5 million or 18.4%, decrease in materials and supplies of $12.0 million or 21.5%; decrease in utilities of $8.3 million or 17.6%;decrease in other operating expenses of $6.3 million or 25.3%, and decrease in depreciation of $6.5 million or 1.5%.

Salaries and benefits expenses decreased by $48.0 million or 9.0%. Within this category, salaries and overtime had a decrease of $64.5 million or 19.3%.The decrease was mainly due to reduction in headcount from 3,499 in fiscal year 2020 to 3,031 in fiscal year 2021 primarily driven by the SIP, in addition to the recognition of approximately $17.3 million under the SIP in fiscal year 2020. As a result of the reduction in headcount, the related benefits expenses were decreased. Retirement contributions decreased by $2.3 million or 2.3%; healthcare subsidy decreased by $3.2 million or 6.6%, and workers' compensation decreased by $4.0 million or 27.0%. Non-cash pension and OPEB expenses increased by $26.0 million to $59.4 million in fiscal year 2021.

Contractual services decreased by 42.5 million or 18.4%. The decrease was primarily across the board among all contractual expenses, with the exception of an increase in City services of $6.4 million caused by higher services provided by L.A. Fire Department and L.A. Police Department. Major contractual expenses experienced notable reduction include a decrease of $12.7 million in landside parking and shuttle services, a decrease of $6.8 million in ground transportation services for LAX-it (an auxiliary curb to provide a pickup area for taxis and ride apps), a decrease of $6.0 million in IT airport system services, a decrease of $4.1 million in merchant fees, a decrease of $3.7 million in operations and emergency consulting services, a decrease of $3.2 million in luggage carts and janitorial services, and a decrease of $3.1 million in Flyaway bus services in fiscal year 2021.

Materials and supplies expenses were $43.5 million and $55.5 million in fiscal year 2021 and 2020, respectively. Major materials and supplies expenses experienced notable reduction include a decrease of $2.2 million in automotive equipment expenses, a decrease of $1.6 million in recycling, trash and waste disposal, and a decrease of $1.7 million in fuel and petroleum services in fiscal year 2021.

Utilities expenses were $39.0 million and $47.3 million in fiscal year 2021 and 2020, respectively. The decrease in utilities was primarily driven by a decrease of $4.9 million in water expenses and $2.8 million in electricity as a result of lower passenger volume as impacted by COVID-19 and the shutdown of T3 for construction, in addition to a decrease of $1.4 million in telephone expenses as a result of cost-saving measures including the cancellation of duplicate phone lines in fiscal year 2021.

Other operating expenses were $18.5 million and $24.7 million in fiscal year 2021 and 2020, respectively. Major other operating expenses experienced notable reduction include a decrease of $3.9 million in bad debt expenses due to lower bad debt allowance driven by lower account receivable balance at year-end, a decrease of $2.0 million in advertising and public relations expenses due to lower level of advertising and marketing activities as impacted by COVID-19, and a decrease of approximately $1.0 million in property taxes due to the change of property usage to accommodate LAX-it. Within the other operating expenses categories, insurance expense increased by $1.1 million; and lease expense increased by $1.6 million primarily a result of a new lease of approximately $0.8 million to relocate staff, and Skyview leasing commissions was higher by $0.5 million in fiscal year 2021.

Depreciation charges decreased from $445.9 million to $439.3 million in fiscal year 2021. The decrease in depreciation charges was primarily due to a reduction of $20.9 million as a result of fully depreciated and retired assets including the City of Inglewood residential sound insulation program, County of Los Angeles sound insulation program, and Inglewood Unified School District Program, offset by an addition of $14.3 million in depreciation of newly capitalized assets including the Bradley West Gates (formerly known as Midfield Satellite Concourse) in fiscal year 2021.

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

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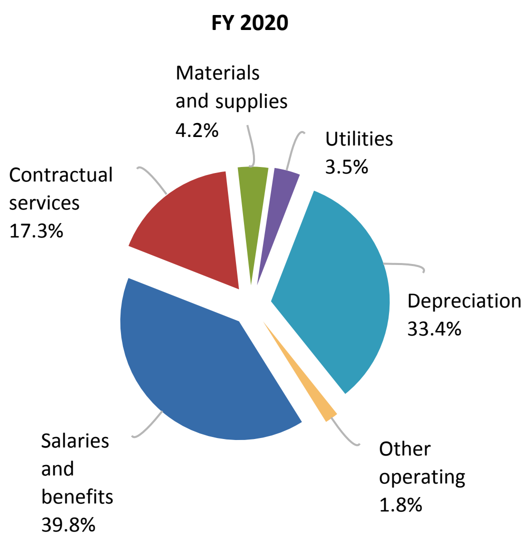
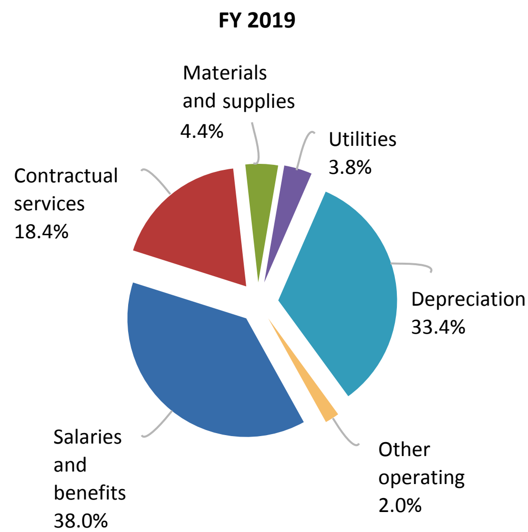
(continued)

Operating Expenses, Fiscal Year 2020

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





For the fiscal year ended June 30, 2020, operating expenses before allocation to other airports were $1.3 billion, a $132.9 million or 11.0% increase from the prior fiscal year. Expense categories that experienced notable changes were increase in salaries and benefits of $75.6 million or 16.5%, and increase in contractual services of $9.7 million or 4.4%. Expense categories with moderate increase were materials and supplies, an increase of $2.1 million or 3.9%; utilities, an increase of $1.1 million or 2.5%; and other operating expenses, an increase of $1.2 million or 4.9%. Depreciation increased by $43.2 million or 10.7%.

Salaries and benefits expenses increased by $75.6 million or 16.5%. Within this category, salaries and overtime before capitalized charges 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 $17.3 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.

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. 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. Utilities expenses were $47.3 million and $46.2 million 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.

Other operating expenses were $24.7 million and $23.6 million 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.

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.

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

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(continued)

Nonoperating Transactions

Nonoperating transactions are activities that do not result from providing services or producing and delivering goods in connection with LAX's ongoing operations. The following table presents a summary of these activities during fiscal years 2021, 2020, and 2019.

Summary of Nonoperating Transactions
(amounts in thousands)

	FY 2021	FY 2020	FY 2019	FY 2021 increase (decrease)	FY 2020 increase (decrease)
Nonoperating revenue					
Passenger facility charges	$ 68,748	$ 118,023	$ 173,100	$ (49,275)	$ (55,077)
Customer facility charges	32,606	65,621	80,248	(33,015)	(14,627)
Interest and investment income	(6,166)	119,938	109,323	(126,104)	10,615
Other nonoperating revenue	10,265	14,286	23,996	(4,021)	(9,710)
	$ 105,453	$ 317,868	$ 386,667	$ (212,415)	$ (68,799)
Nonoperating expenses					
Interest expense	$ 311,701	$ 320,892	$ 294,767	$ (9,191)	$ 26,125
Other nonoperating expenses	8,677	3,424	6,728	5,253	(3,304)
	$ 320,378	$ 324,316	$ 301,495	$ (3,938)	$ 22,821
Federal and other government grants	$ 313,032	$ 85,978	$ 29,864	$ 227,054	$ 56,114

Nonoperating Transactions, Fiscal Year 2021

PFCs decreased by $49.3 million or 41.8% from $118.0 million to $68.7 million as a result of the decrease of 53.7% passenger traffic in fiscal year 2021 as impacted by COVID-19. CFCs, which are imposed on each car rental transaction collected by car rental concessionaires and remitted to LAX, decreased by $33.0 million or 50.3% from $65.6 million to $32.6 million in fiscal year 2021. The decrease was primarily due to the decrease of passenger traffic as impacted by COVID-19.

Interest and investment income decreased by $126.1 million from $119.9 million to $(6.2) million in fiscal year 2021. This was mainly due to the lower interest rate and average balance of cash and pooled investments held in City Treasury, as well as the decrease driven by the downward year-end net adjustment to the fair value of investment securities. Interest expenses decreased by $9.2 million or 2.9% from $320.9 million to $311.7 million in fiscal year 2021. The decrease was mainly due to additional amortization of bond premium in the amount of $29.6 million, offset by an increase of $20.4 million bond interest expenses due to the net additional issuances of $1.2 billion revenue bonds (after refunding) to finance capital improvement projects at LAX.

Other nonoperating revenue decreased by $4.0 million or 28.1% from $14.3 million to $10.3 million in fiscal year 2021 primarily due to $2.9 million reimbursement billing for USO tenant improvement project in fiscal year 2020.

Other nonoperating expenses increased by $5.3 million or 153.4% from $3.4 million to $8.7 million in fiscal year 2021. The increase was primarily due to an increase of $2.8 million in bond issuance expenses in addition to the recognition of $2.5 million loss in discount due to the early payoff of the OIAA receivable balance in fiscal year 2021.

Federal and other government grants increased by $227.1 million, or 264.1% from $86.0 million to $313.0 million. LAX was awarded CARES Act grants in the amount of approximately $323.6 million, payable on a reimbursement basis. The drawn amounts of $271.2 million and $52.4 million in LAX were recognized as grants revenue to stabilize cost increases in airline rates at LAX for fiscal year 2021 and 2020, respectively.

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 LAX, 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%, from $109.3 million to $119.9 million 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.

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.

Long-Term Debt

As of June 30, 2021, LAX's outstanding long-term debt before unamortized premium was $8.2 billion. Issuances during the year amounted to $2.0 billion, redemption and refunding totaled $767.4 million, and payments for scheduled maturities were $123.2 million. Together with the unamortized premium, bonded debt of LAX increased by $1.5 billion to a total of $9.6 billion.

As of June 30, 2020, LAX'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 LAX increased by $261.8 million to a total of $8.1 billion.

As of June 30, 2021 and 2020, LAX had $630.6 million and $701.2 million investments, respectively, held by fiscal agents that are pledged for the payment or security of the outstanding bonds.

LAX 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 (Fitch), Moody's Investors Service (Moody's) 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. In August 2021, Fitch revised the rating outlook, from negative to stable, and affirmed the ratings with respect to LAWA's outstanding senior bonds and subordinate bonds. Moody's and S&P maintain a stable rating outlook.

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

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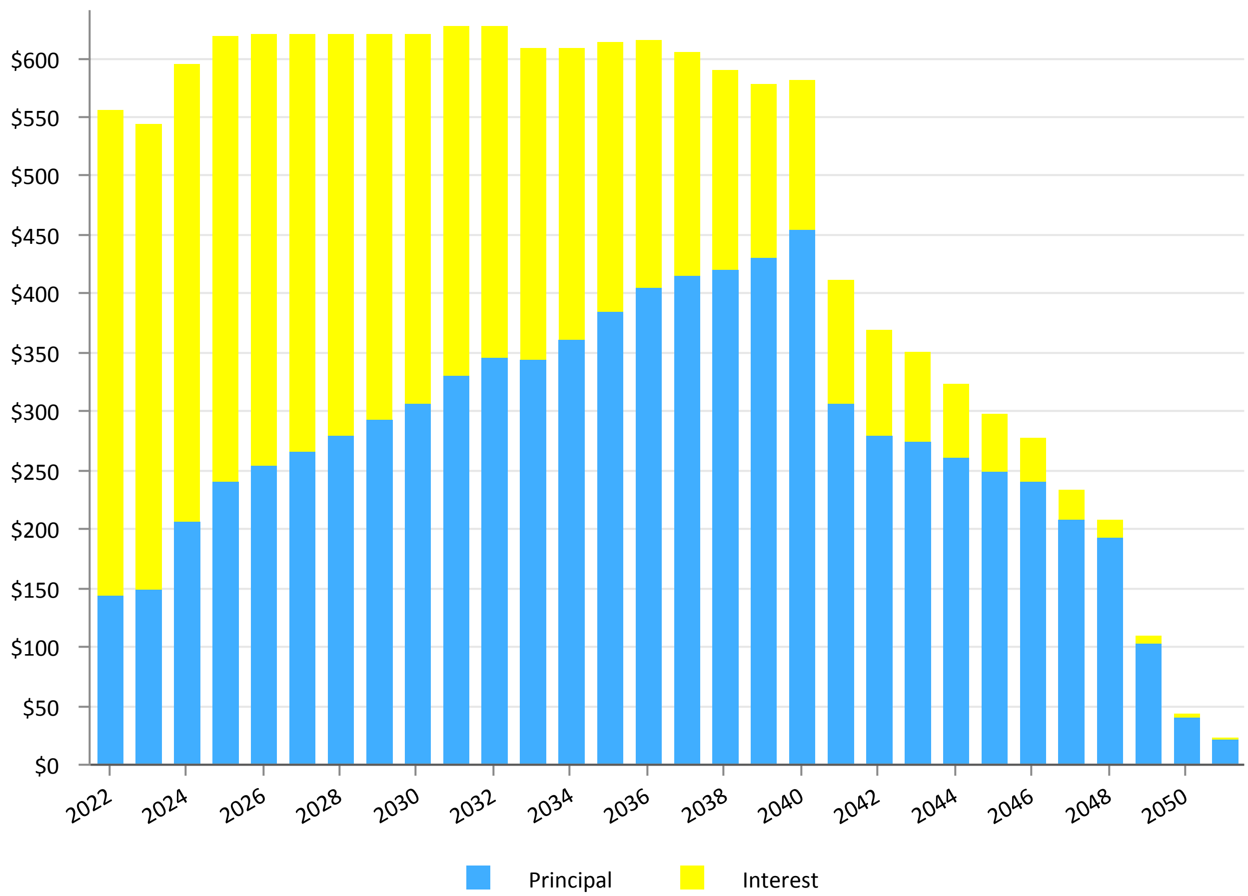
Outstanding principal, plus scheduled interest as of June 30, 2021, is scheduled to mature as shown in the following chart (amounts in millions).



Capital Assets

LAX's investment in capital assets, net of accumulated depreciation, as of June 30, 2021 and 2020 were $14.3 billion and $12.1 billion, respectively. This investment, which accounts for 83.0% and 78.2% of LAX's total assets as of June 30, 2021 and 2020, respectively, includes land, air easements, buildings, improvements, equipment and vehicles, emission reduction credits, and construction work in progress. LAX's policy affecting capital assets can be found in Note 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 2021

Major capital expenditure activities during fiscal year 2021 included:

- $827.6 million renovations at Terminals 1 to 8
- $477.7 million construction of Automated People Mover System (APM)
- $404.1 million construction of Consolidated Rental Car Facility (ConRAC)
- $187.4 million construction of Bradley West Gates (formerly known as Midfield Satellite Concourse)
- $166.2 million construction of Intermodal Transportation Facility - West
- $108.6 million construction of Airport Police Facility
- $105.9 million construction of runways and taxiways
- $103.5 million Baggage Optimization Project
- $78.7 million interior improvements and security upgrades at Tom Bradley International Terminal (TBIT) and Bradley West
- $43.5 million Receiving Station Project (RS-X)
- $43.4 million construction of Secured Area Access Post - Westside
- $28.4 million IT network and system projects

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

Capital Assets, Fiscal Year 2020

Major capital expenditure activities during fiscal year 2020 included:

- $430.0 million renovations at Terminals 1 to 8
- $383.0 million construction of Bradley West Gates (formerly known as Midfield Satellite Concourse)
- $200.1 million construction of APM
- $166.5 million project costs related to LAMP
- $139.8 million construction of ConRAC
- $53.6 million interior improvements and security upgrades at TBIT and Bradley West
- $44.7 million construction of runways and taxiways
- $26.1 million residential acquisition, soundproofing and noise mitigation
- $20.3 million IT network and system projects

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

Landing Fees

The airline landing fees for fiscal year 2022, as approved by the LAWA Board of Commissioners on June 3, 2021 and became effective as of July 1, 2021, 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	$70.00	$88.00
For each landing of aircraft having a maximum gross landing weight of more than 12,500 pounds up to and including 25,000 pounds	136.00	170.00
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	3.98	4.98
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	5.42	6.78

Due to the financial impact of COVID-19 and as part of LAX's Airline Cost Stability and Recovery Plan, the landing fee rates charged from July 1, 2020 to December 31, 2020 were increased effective from January 1, 2021 to June 30, 2021. These rates are subject to a final fiscal year-end reconciliation, based on all actual costs and reported landing weights by air carriers.

The airline landing fees for fiscal year 2021, which became effective as of January 1, 2021 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	$93.00	$116.00
For each landing of aircraft having a maximum gross landing weight of more than 12,500 pounds up to and including 25,000 pounds	180.00	225.00
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	5.61	7.01
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	7.19	8.99

Landing fee rates were based on budgeted operating expenses and revenues. Mid-year rates effective January 1, 2021 reflected the application of federal grants and capital restructuring pursuant to the Airline Cost Stability and Recovery Plan. Reconciliation between actual revenues and expenses and amounts estimated in the initial calculation result in a fiscal year-end adjustment. The resulting net overcharges or undercharges are recorded as a reduction or addition to unbilled receivables.

Request for Information

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

Financial Statements

2021 Annual Financial Report
Los Angeles International Airport

Los Angeles World Airports

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

Los Angeles International Airport

Statements of Net Position

June 30, 2021 and 2020

(amounts in thousands)

	2021	2020
ASSETS		
Current Assets		
Unrestricted current assets		
Cash and pooled investments held in City Treasury	$ 1,486,486	$ 984,838
Investments with fiscal agents	1,843	979
Accounts receivable, net of allowance for uncollectible accounts: 2021 - $193 ; 2020 - $2,069	9,416	101,306
Unbilled receivables	35,918	—
Accrued interest receivable	4,788	4,690
Grants receivable	4,011	73,230
Receivable from Ontario International Airport Authority (OIAA)	—	9,361
Due from other agencies	46,636	46,852
Prepaid expenses	5,094	5,885
Inventories	1,375	1,382
Total unrestricted current assets	1,595,567	1,228,523
Restricted current assets		
Cash and pooled investments held in City Treasury	627,517	1,051,139
Investments with fiscal agents, includes cash and cash equivalents, related to bonded debt: 2021 - $664,843; 2020 - $1,047,564	664,843	1,054,833
Accrued interest receivable	779	1,131
Passenger facility charges receivable	19,169	1,412
Customer facility charges receivable	4,579	1,720
Total restricted current assets	1,316,887	2,110,235
Total current assets	2,912,454	3,338,758
Noncurrent Assets		
Capital assets		
Not depreciated	5,808,273	4,924,128
Depreciated, net	8,447,373	7,162,039
Total capital assets	14,255,646	12,086,167
Other noncurrent assets		
Receivable from OIAA, net of current portion	—	21,204
Total other noncurrent assets	—	21,204
Total noncurrent assets	14,255,646	12,107,371
TOTAL ASSETS	17,168,100	15,446,129
DEFERRED OUTFLOWS OF RESOURCES		
Loss on debt refundings	33,681	35,732
Pension and OPEB	320,967	181,271
TOTAL DEFERRED OUTFLOWS OF RESOURCES	354,648	217,003

Statements of Net Position (continued)
June 30, 2021 and 2020
(amounts in thousands)

	2021	2020
LIABILITIES		
Current Liabilities		
Current liabilities payable from unrestricted assets		
Contracts and accounts payable	$ 594,473	$ 424,436
Accrued salaries	8,796	38,644
Accrued employee benefits	6,235	5,665
Estimated claims payable	9,643	8,912
Commercial paper	98,341	63,197
Obligations under securities lending transactions	11,654	6,359
Other current liabilities	42,098	30,625
Total current liabilities payable from unrestricted assets	771,240	577,838
Current liabilities payable from restricted assets		
Contracts and accounts payable	14,776	14,498
Current maturities of bonded debt	144,245	141,025
Accrued interest payable	60,530	44,630
Obligations under securities lending transactions	4,125	6,547
Other current liabilities	8,943	2,732
Total current liabilities payable from restricted assets	232,619	209,432
Total current liabilities	1,003,859	787,270
Noncurrent Liabilities		
Bonded debt, net of current portion	9,454,707	7,963,523
Accrued employee benefits, net of current portion	52,035	50,982
Estimated claims payable, net of current portion	90,584	90,315
Net pension liability	1,006,766	807,685
Net OPEB liability	80,411	68,484
Other long-term liabilities	885	886
Total noncurrent liabilities	10,685,388	8,981,875
TOTAL LIABILITIES	11,689,247	9,769,145
DEFERRED INFLOWS OF RESOURCES		
Gain on debt refundings	40,508	24,271
Pension and OPEB	55,399	67,305
TOTAL DEFERRED INFLOWS OF RESOURCES	95,907	91,576
NET POSITION		
Net investment in capital assets	5,205,879	4,940,094
Restricted for:		
Passenger facility charges eligible projects	238,703	352,440
Customer facility charges eligible projects	96,728	436,422
Operations and maintenance reserve	236,443	240,776
Federally forfeited property and protested funds	2,242	1,978
Unrestricted	(42,401)	(169,299)
TOTAL NET POSITION	$ 5,737,594	$ 5,802,411

See accompanying notes to the financial statements.

Los Angeles World Airports

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

Los Angeles International Airport

Statements of Revenues, Expenses and Changes in Net Position
For the Fiscal Years Ended June 30, 2021 and 2020

(amounts in thousands)

	2021	2020
OPERATING REVENUE		
Aviation revenue		
Landing fees	$ 164,693	$ 259,185
Reliever airport fee	(1,256)	(1,172)
Building rentals	600,399	571,478
Land rentals	109,556	115,523
Other aviation revenue	7,746	7,334
Total aviation revenue	881,138	952,348
Concession revenue	161,423	380,331
Other operating revenue	4,647	8,044
Total operating revenue	1,047,208	1,340,723
OPERATING EXPENSES		
Salaries and benefits	484,581	532,563
Contractual services	188,105	230,647
Materials and supplies	43,536	55,493
Utilities	39,007	47,334
Other operating expenses	18,465	24,719
Allocated administrative charges	(2,909)	(3,088)
Total operating expenses before depreciation and amortization	770,785	887,668
Operating income before depreciation and amortization	276,423	453,055
Depreciation and amortization	439,347	445,887
OPERATING INCOME (LOSS)	(162,924)	7,168
NONOPERATING REVENUE (EXPENSES)		
Passenger facility charges	68,748	118,023
Customer facility charges	32,606	65,621
Interest and investment income (loss)	(6,166)	119,938
Interest expense	(311,701)	(320,892)
Other nonoperating revenue	10,265	14,286
Other nonoperating expenses	(8,677)	(3,424)
Total nonoperating expenses, net	(214,925)	(6,448)
INCOME (LOSS) BEFORE CAPITAL GRANTS	(377,849)	720
Federal and other government grants	313,032	85,978
CHANGE IN NET POSITION	(64,817)	86,698
NET POSITION, BEGINNING OF YEAR	5,802,411	5,715,713
NET POSITION, END OF YEAR	$ 5,737,594	$ 5,802,411

See accompanying notes to the financial statements.

Los Angeles World Airports

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

Los Angeles International Airport

Statements of Cash Flows

For the Fiscal Years Ended June 30, 2021 and 2020

(amounts in thousands)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 1,131,795	$ 1,304,798
Payments to suppliers	(167,999)	(186,081)
Payments for employee salaries and benefits	(451,635)	(468,642)
Payments for City services	(114,858)	(116,476)
Inter-agency receipts for services, net	2,909	3,088
Net cash provided by operating activities	400,212	536,687
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Noncapital grants received	10,129	10,860
Inter-agency transfers in	216	400
Net cash provided by noncapital financing activities	10,345	11,260
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of revenue bonds and commercial paper notes	1,807,435	520,679
Principal paid on revenue bonds and commercial paper notes	(190,696)	(231,510)
Interest paid on revenue bonds and commercial paper notes	(368,932)	(362,113)
Revenue bonds issuance costs	(2,292)	(1,591)
Acquisition and construction of capital assets	(2,456,019)	(1,631,751)
Proceeds from passenger facility charges	50,991	143,537
Proceeds from customer facility charges	29,747	71,062
Capital contributed by federal agencies	382,251	29,707
Net cash used for capital and related financing activities	(747,515)	(1,461,980)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	29,386	78,735
Net change in fair value of investments	(35,706)	44,491
Cash collateral received (paid) under securities lending transactions	2,873	(7,209)
Sales of investments	29,305	4,495
Sales of investments held by fiscal agents	7,269	244,907
Net cash provided by investing activities	33,127	365,419
NET DECREASE IN CASH AND CASH EQUIVALENTS	(303,831)	(548,614)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,084,520	3,633,134
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 2,780,689	$ 3,084,520

	2021	2020
CASH AND CASH EQUIVALENTS COMPONENTS		
Cash and pooled investments held in City Treasury- unrestricted	$ 1,486,486	$ 984,838
Investments with fiscal agents- unrestricted	1,843	979
Cash and pooled investments held in City Treasury- restricted	627,517	1,051,139
Investments with fiscal agents- restricted	664,843	1,047,564
Total cash and cash equivalents	$ 2,780,689	$ 3,084,520
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating (loss)/income	$ (162,924)	$ 7,168
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	439,347	445,887
Change in provision for uncollectible accounts	(1,876)	(1,987)
Other nonoperating (expenses) revenues, net	(1,701)	4,076
Changes in operating assets and liabilities and deferred outflows and inflows of resources		
Accounts receivable	93,766	(95,537)
Unbilled receivables	(35,918)	49,795
Prepaid expenses and inventories	800	1,485
Notes receivable	30,565	7,078
Contracts and accounts payable	7,865	55,233
Accrued salaries	(29,848)	15,443
Accrued employee benefits	1,623	8,016
Other liabilities	(893)	6,665
Net pension and OPEB liability and related changes in deferred outflows and inflows of resources	59,406	33,365
Total adjustments	563,136	529,519
Net cash provided by operating activities	$ 400,212	$ 536,687
SIGNIFICANT NONCASH CAPITAL AND RELATED FINANCING AND INVESTING ACTIVITIES		
Acquisition of capital assets included in contracts and accounts payable	$ 431,465	$ 269,015
Revenue bonds proceeds received in escrow trust fund	679,895	926,983
Debt defeased and related costs paid through escrow trust fund with revenue bonds	(679,895)	(926,983)
Net change in grants receivable	69,219	(56,271)

See accompanying notes to the financial statements.

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Index to the Notes to the Financial Statements

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

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Los Angeles World Airports

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

Los Angeles International Airport

Notes to the Financial Statements
June 30, 2021 and 2020

1. Reporting Entity and Summary of Significant Accounting Policies

a. Organization and Reporting Entity

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

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

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

b. Basis of Accounting

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

Notes to the Financial Statements
June 30, 2021 and 2020
(continued)

c. Cash, Cash Equivalents, and Investments

LAX's cash, cash equivalents, and investments and a significant portion of its restricted cash and investments are maintained as part of the City's pool of cash and investments. LAX's portion of the pool is presented on the statements of net position as 'Cash and Pooled Investments Held in City Treasury'. Interest earned on such pooled investments is allocated to the participating City funds based on each fund's average daily cash balance during the allocation period. LAX considers its unrestricted and restricted cash and investments held in the City Treasury as demand deposits and therefore these amounts are reported as cash equivalents. LAX has funds that are held by fiscal agents. Investments with maturities of three months or less at the time of purchase are considered cash equivalents.

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

d. Accounts Receivables and Unbilled Receivables

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

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

e. Inventories

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

f. Capital Assets

All capital assets are carried at cost, or at acquisition value when properties are acquired by donation or by termination of leases, less allowance for accumulated depreciation. Maintenance and repairs are charged to operations in the period incurred. Renewals and betterments are capitalized in the asset accounts. LAX has a capitalization threshold of $5,000 for all capital assets other than internally generated computer software where the threshold is $500,000.

Preliminary costs of capital projects incurred prior to the finalization of formal construction contracts are recorded in construction work in progress. In the event the proposed capital projects are abandoned, the associated preliminary costs are charged to expense in the year of abandonment.

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

g. Contracts Payable, Accounts Payable, and Other Liabilities

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

h. Operating and Nonoperating Revenues and Expenses

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

i. Landing Fees

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

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, LAX is proactively implementing measures intended to mitigate operational and financial impacts. Among those measures were the April 2020 approvals of the Passenger Airline Temporary Relief Program and the Concessionaires and Services Temporary Relief Program. On October 21, 2021, the Board approved to amend concession agreements at LAX to revise payment terms due to the continuing impacts of COVID-19. For concessions that are open and conducting business at LAX, the Board approved to extend the revised rent payment terms, require payment of percentage rents instead of MAG rent for the period July 1, 2021 through June 30, 2022, and establish new MAG rents effective July 1, 2022. LAWA plans to use ARPA grant funds to offset the revenue LAWA will forgo by continuing to suspend MAG payments through June 30, 2022.

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

In June 2021, the Board adopted the Amended Rate Methodology and the FARRA. The FARRA, which extends the current Agreement to fiscal year 2033, implements the Amended Rate Methodology and streamlines LAX's common use rate structure. Passenger airlines and approved airline consortiums that are party to the current Amended and Restated Rate Agreement must execute and deliver the Further Amended and Restated Agreement to LAX by September 30, 2021. Majority of the airlines have executed the FARRA. After said date, signatories under the existing ARRA will continue to operate under that agreement until its expiration on December 31, 2032.

k. Concession Revenue

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

In response to the COVID-19 pandemic, LAX is proactively implementing measures intended to mitigate operational and financial impacts. Among those measures were the April 2020 approvals of the Passenger Airline Temporary Relief Program and the Concessionaires and Services Temporary Relief Program. On October 21, 2021, the Board approved to amend concession agreements at LAX to revise payment terms due to the continuing impacts of COVID-19. For concessions that are open and conducting business at LAX, the Board approved to extend the revised rent payment terms, require payment of percentage rents instead of MAG rent for the period July 1, 2021 through June 30, 2022, and establish new MAG rents effective July 1, 2022. LAWA plans to use ARPA grant funds to offset the revenue LAWA will forgo by continuing to suspend MAG payments through June 30, 2022.

l. Unearned Revenue

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

m. Accrued Employee Benefits

Accrued employee benefits include estimated liability for vacation and sick leave. LAX employees accumulate annual vacation and sick leave in varying amounts based on length of service. Vacation and sick leave are recorded as earned. Upon termination or retirement, employees are paid the cash value of their accumulated leave. Accrued employee benefits as of June 30, 2021 and 2020 are as follows (amounts in thousands):

Type of benefit	2021	2020
Accrued vacation leave	$ 36,416	$ 32,114
Accrued sick leave	21,853	24,533
Sub-total	58,269	56,647
Current portion	(6,235)	(5,665)
Noncurrent portion	$ 52,034	$ 50,982

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 334 employees have chosen to participate in the program to voluntarily terminate their employment with LAWA, with SIP departures beginning on June 6, 2020. LAX made cash payments totaling $17.3 million under the SIP through June 30, 2021. There was no other SIP in fiscal year 2021.

Notes to the Financial Statements
June 30, 2021 and 2020
(continued)

n. Deferred Outflows and Inflows of Resources

In addition to assets and liabilities, LAX reports a separate section for deferred outflows of resources and deferred inflows of resources, respectively. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and won't be recognized as an outflow of resources until then. Deferred inflows of resources represent an acquisition of resources that is applicable to future reporting period(s) that won't be recognized as an inflow of resources until then. LAX 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, 2021 and 2020, LAX 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)1

	2021	2020
Net pension liability		
LACERS - proportionate shares	$ 1,004,450	$ 806,117
LAFPP - proportionate shares	2,316	1,568
Total net pension liability	$ 1,006,766	$ 807,685
Deferred outflows of resources related to pensions		
LACERS - proportionate shares	$ 206,064	$ 147,072
LAFPP - proportionate shares	1,781	3,157
Total deferred outflows of resources related to pensions	$ 207,845	$ 150,229
Deferred inflows of resources related to pensions		
LACERS - proportionate shares	$ 24,280	$ 36,161
LAFPP - proportionate shares	11	115
Total deferred inflows of resources related to pensions	$ 24,291	$ 36,276
Pension expenses		
LACERS - proportionate shares	$ 127,447	$ 110,852
LAFPP - proportionate shares	1,994	1,271
Total pension expenses	$ 129,441	$ 112,123

For fiscal years ended June 30, 2021 and 2020, LAX 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):

	2021	2020
Net OPEB liability		
LACERS - proportionate shares	$ 79,788	$ 67,889
LAFPP - proportionate shares	623	595
Total net OPEB liability	$ 80,411	$ 68,484
Deferred outflows of resources related to OPEB		
LACERS - proportionate shares	$ 29,954	$ 29,924
LAFPP - proportionate shares	362	1,118
Total deferred outflows of resources related to OPEB	$ 30,316	$ 31,042
Deferred inflows of resources related to OPEB		
LACERS - proportionate shares	$ 30,746	$ 30,779
LAFPP - proportionate shares	362	250
Total deferred inflows of resources related to OPEB	$ 31,108	$ 31,029
OPEB expenses		
LACERS - proportionate shares	$ 11,679	$ 9,695
LAFPP - proportionate shares	714	504
Total OPEB expenses	$ 12,393	$ 10,199

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.

Notes to the Financial Statements
June 30, 2021 and 2020
(continued)

p. Bond Premiums and Discounts

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

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

q. Net Position

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

- Net Investment in Capital Assets - This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

- Restricted Net Position - This category presents restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Those assets are restricted due to external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

- Unrestricted Net Position - This category represents net position of LAX that is not restricted for any project or other purpose.

r. Use of Restricted/Unrestricted Net Position

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

s. Use of Estimates

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

2. New Accounting Standards

LAX 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.

LAX implemented the following GASB statements included within GASB 95 in prior fiscal years:
- 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*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 90, *Majority Equity Interests*

LAX 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* (Non-LIBOR provisions), as a portion of GASB 93 was effective and implemented in fiscal year 2021 as described below.

Implementation of the following GASB statement is effective fiscal year 2021.

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. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. LAX implemented the non-LIBOR portion of this Statement in fiscal year 2021 without material impact.

Issued in October 2021, GASB Statement No. 98, *The Annual Comprehensive Financial Report,* establishes the term *annual comprehensive financial report* and its acronym *ACFR*. The new term and acronym replace instances of *comprehensive annual financial report* and its acronym in generally accepted accounting principles for state and local governments. LAX early implemented the Statement in fiscal year 2021.

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(continued)

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

Issued in 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. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. LAX implemented the non-LIBOR portion of this Statement in fiscal year 2021 without material impact.

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.

3. Cash and Investments

a. Pooled Investments

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

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

LAX maintains a portion of its unrestricted and restricted cash and investments in the City's cash and investment pool (the Pool). LAX's share of $2.1 billion and $2.0 billion in the Pool as of June 30, 2021 and 2020 represented approximately 17.6% and 17.4%, respectively. There are no specific investments belonging to LAX. Included in LAX's portion of the Pool is the allocated investment agreements traded at year-end that were settled in the subsequent fiscal year. LAX's allocated shares for fiscal years 2021 and 2020 were $33.9 million and $4.6 million, respectively, and were reported as other current liabilities in the statement of net position. The City issues a publicly available financial report that includes complete disclosures related to the entire cash and investment pool. The report may be obtained by writing to the City of Los Angeles, Office of the Controller, 200 North Main Street, City Hall East Suite 300, Los Angeles, CA 90012, or by calling (213) 978-7200.

b. City of Los Angeles Securities Lending Program

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

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

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

LAX participates in the City's securities lending program through the pooled investment fund. LAX recognizes its proportionate share of the cash collateral received for securities loaned and related obligation for the general investment pool. At June 30, 2021, LAX's portion of the cash collateral and the related obligation in the City's program was $15.8 million. LAX's portion of the securities purchased from the reinvested cash collateral at June 30, 2021 was $15.8 million. Such securities are stated at fair value and reported under the cash and pooled investment held in City Treasury. LAX's portion of the noncash collateral at June 30, 2021 was $41.2 million. At June 30, 2020, LAX's portion of the cash collateral and the related obligation in the City's program was $12.9 million. LAX'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. LAX's portion of the noncash collateral at June 30, 2020 was $76.5 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, 2021 and 2020 because the amounts owed to the borrowers exceeded the amounts borrowed. Loaned securities are held by the City's agents in the City's name and are not subject to custodial credit risk.

c. Investments with Fiscal Agents

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

	2021	2020
Unrestricted, current		
Commercial paper and cash at bank	$ 1,843	$ 979
Restricted, current and noncurrent		
Bond security funds	630,567	701,248
Construction funds	34,276	353,585
Subtotal	664,843	1,054,833
Total	$ 666,686	$ 1,055,812

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

At June 30, 2021, the investments and their maturities are as follows (amounts in thousands):

		Investment maturities	
	Amount	1 to 60 days	61 to 365 days
Money market mutual funds	$ 516,224	$ 516,224	$ —
State of California LAIF	148,619	—	148,619
Subtotal	664,843	$ 516,224	$ 148,619
Bank deposit accounts	1,843		
Total	$ 666,686		

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

		Investment maturities	
	Amount	1 to 60 days	61 to 365 days
Money market mutual funds	$ 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	979		
Total	$ 1,055,812		

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, 2021, the investments by fair value level are as follows (amounts in thousands):

	Amount	Fair Value Measurements Using Level 1
Money Market Funds	$ 516,224	$ 516,224
Total investments by fair value level	516,224	$ 516,224
Investments not subject to fair value hierarchy		
State of California LAIF	148,619	
Bank deposit accounts	1,843	
Total	$ 666,686	

Notes to the Financial Statements
June 30, 2021 and 2020
(continued)

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 by fair value level	$ 831,975	$ 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	979	
Total	$ 1,055,812	

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

Credit Risk. The City's policy requires that a mutual fund must receive the highest ranking by not less than two nationally recognized rating agencies. At June 30, 2021 and 2020, 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, 2021, LAX's investments in the LAIF held by fiscal agents totaled $148.6 million. The total amount invested by all public agencies in LAIF at that date was $37.1 billion. The LAIF is part of the State's Pooled Money Investment Account (PMIA). As of June 30, 2021, the investments in the PMIA totaled $193.5 billion, of which 97.7% is invested in non-derivative financial products and 2.3% in structured notes and asset-backed securities. The weighted average maturity of LAIF investments was 291 days as of June 30, 2021. LAIF is not rated. As of June 30, 2020, LAX'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 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.

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

Notes to the Financial Statements
June 30, 2021 and 2020
(continued)

4. Capital Assets

LAX had the following activities in capital assets during fiscal year 2021 (amounts in thousands):

	Balance at July 1, 2020	Additions	Retirements & disposals	Transfers	Balance at 6/30/2021
Capital assets not depreciated					
Land and land clearance	$ 1,169,294	$ —	$ —	$ (980)	$ 1,168,314
Air easements	44,346	—	—	—	44,346
Emission reduction credits	2,772	—	—	—	2,772
Construction work in progress	3,707,716	2,600,905	(220)	(1,715,560)	4,592,841
Total capital assets not depreciated	4,924,128	2,600,905	(220)	(1,716,540)	5,808,273
Capital assets depreciated					
Buildings	3,571,813	—	—	1,697,363	5,269,176
Improvements	6,526,293	2,273	—	17,802	6,546,368
Equipment and vehicles	341,797	5,870	(2,859)	1,375	346,183
Intangible assets	64,062	—	—	—	64,062
Total capital assets depreciated	10,503,965	8,143	(2,859)	1,716,540	12,225,789
Accumulated depreciation					
Buildings	(939,787)	(118,712)	—	—	(1,058,499)
Improvements	(2,189,675)	(291,450)	—	—	(2,481,125)
Equipment and vehicles	(170,337)	(23,269)	2,521	—	(191,085)
Intangible assets	(42,127)	(5,580)	—	—	(47,707)
Total accumulated depreciation	(3,341,926)	(439,011)	2,521	—	(3,778,416)
Capital assets depreciated, net	7,162,039	(430,868)	(338)	1,716,540	8,447,373
Total	$ 12,086,167	$ 2,170,037	$ (558)	$ —	$ 14,255,646

LAX 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
Capital assets not depreciated					
Land and land clearance	$ 1,167,839	$ —	$ —	$ 1,455	$ 1,169,294
Air easements	44,346	—	—	—	44,346
Emission reduction credits	2,772	—	—	—	2,772
Construction work in progress	2,213,910	1,685,626	—	(191,820)	3,707,716
Total capital assets not depreciated	3,428,867	1,685,626	—	(190,365)	4,924,128
Capital assets depreciated					
Buildings	3,571,813	—	—	—	3,571,813
Improvements	6,359,860	3,696	—	162,737	6,526,293
Equipment and vehicles	300,685	43,303	(3,844)	1,653	341,797
Intangible assets	38,087	—	—	25,975	64,062
Total capital assets depreciated	10,270,445	46,999	(3,844)	190,365	10,503,965
Accumulated depreciation					
Buildings	(827,149)	(112,638)	—	—	(939,787)
Improvements	(1,885,933)	(303,742)	—	—	(2,189,675)
Equipment and vehicles	(150,224)	(23,814)	3,701	—	(170,337)
Intangible assets	(36,432)	(5,695)	—	—	(42,127)
Total accumulated depreciation	(2,899,738)	(445,889)	3,701	—	(3,341,926)
Capital assets depreciated, net	7,370,707	(398,890)	(143)	190,365	7,162,039
Total	$ 10,799,574	$ 1,286,736	$ (143)	$ —	$ 12,086,167

5. Commercial Paper

As of June 30, 2021 and 2020, LAX had outstanding commercial paper (CP) notes of $98.3 million and $63.2 million, respectively. The respective average interest rates in effect as of June 30, 2021 and 2020 were 0.11% and 0.96%. The CP notes mature no more than 270 days from the date of issuance. The CP notes were issued as a means of interim financing for certain capital expenditures and redemption of certain bond issues.

LAX 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. LAX secured a new LOC with Bank of America for $98.1 million on September 8, 2021, to expire on September 6, 2024.

As of June 30, 2021, LAX had undrawn LOC balances of $228.9 million from Barclays, $203.0 million from Sumitomo, and $14.8 million from Bank of America. As of June 30, 2020, LAX had undrawn LOC balances of $109.0 million from Barclays, $218.0 million from Sumitomo, and $154.8 million from Wells Fargo Bank.

In fiscal year 2021, LAX paid the LOC banks an annual commitment fee ranging from 0.80% and 0.85% on the stated amount of the LOC. In fiscal year 2020, LAX 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 $3.7 million and $1.8 million were paid for fiscal years 2021 and 2020, respectively.

LAX had the following CP activity during fiscal year 2021 (amounts in thousands):

	Balance at July 1, 2020	Additions	Reductions	Balance at June 30, 2021
Series A	$ 25,749	$ 26,426	$ —	$ 52,175
Series B	4,562	40,226	(26,663)	18,125
Series C	32,886	36,038	(40,883)	28,041
Total	$ 63,197	$ 102,690	$ (67,546)	$ 98,341

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

	Balance at July 1, 2019	Additions	Reductions	Balance at June 30, 2020
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

6. Bonded Debt

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

a. Outstanding Debt

Outstanding revenue and revenue refunding bonds are due serially in varying annual amounts. Bonds outstanding as of June 30, 2021 and 2020 are as follows (amounts in thousands):

			scheduled		Outstanding principal	
Bond issues	Issue date	Interest rate	maturity	Original principal	2021	2020
Issue of 2009, Series C	12/3/09	5.175% - 6.582%	2039	$ 307,350	$ 252,970	$ 262,845
Issue of 2010, Series A	4/8/10	3.000% - 5.000%	2040	930,155	—	316,935
Issue of 2010, Series B	11/4/10	5.000%	2040	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
Issue of 2012, Series A	12/18/12	3.000% - 5.000%	2029	105,610	54,560	58,235
Issue of 2012, Series B	12/18/12	2.000% - 5.000%	2037	145,630	120,545	124,010
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	59,480	61,675
Issue of 2015, Series A	2/24/15	2.000% - 5.000%	2045	267,525	243,185	248,405
Issue of 2015, Series B	2/24/15	3.000% - 5.000%	2045	47,925	43,385	44,360
Issue of 2015, Series C	2/24/15	2.000% - 5.000%	2038	181,805	163,855	171,270
Issue of 2015, Series D	11/24/15	5.000%	2041	296,475	265,050	271,960
Issue of 2015, Series E	11/24/15	2.000% - 5.000%	2041	27,850	23,330	24,295
Issue of 2016, Series A	6/1/16	3.000% - 5.000%	2042	289,210	260,275	267,615
Issue of 2016, Series B	1/19/17	4.000% - 5.000%	2046	451,170	434,445	441,945
Issue of 2016, Series C	12/6/16	1.425% - 3.887%	2038	226,410	186,410	197,485
Issue of 2017, Series A	7/26/17	5.000%	2047	260,610	253,820	257,420
Issue of 2017, Series B	7/26/17	5.000%	2042	88,730	82,440	84,640
Issue of 2018, Series A	3/15/18	4.000% - 5.250%	2048	426,475	419,965	424,175
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	409,280	419,105
Issue of 2018, Series D	11/14/18	5.000%	2048	418,390	396,070	408,040
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	193,975	198,785
Issue of 2019, Series B	3/12/19	4.000% - 5.000%	2049	49,410	48,530	49,060
Issue of 2019, Series C	3/12/19	5.000%	2039	189,095	165,320	180,635
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	411,575
Issue of 2020, Series A	3/11/20	5.000%	2040	738,575	734,495	738,575
Issue of 2020, Series B	8/27/20	4.000% - 5.000%	2040	558,500	558,500	—
Issue of 2020, Series C	8/27/20	5.000%	2050	380,000	380,000	—
Issue of 2020, Series D	8/27/20	4.000% - 5.000%	2048	120,000	120,000	—
Issue of 2021, Series A	2/17/21	5.000%	2051	405,405	405,405	—
Issue of 2021, Series B	2/17/21	5.000%	2048	395,005	395,005	—
Issue of 2021, Series C	2/17/21	0.698% - 2.213%	2036	92,945	92,945	—
Total principal				$ 10,567,990	8,224,485	7,163,170
Unamortized premium					1,374,467	941,378
Net revenue bonds					9,598,952	8,104,548
Current portion of debt					(144,245)	(141,025)
Net noncurrent debt					$ 9,454,707	$ 7,963,523

Notes to the Financial Statements
June 30, 2021 and 2020
(continued)

b. Pledged Revenue

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

LAX has received approval from the FAA to collect and use passenger facility charges (PFCs) to pay for debt service on bonds issued to finance the Tom Bradley International Terminal (TBIT) Renovations, Bradley West projects and Terminal 6 improvements. Board of Airport Commissioners authorized amounts of $73.5 million and $144.7 million were used for debt service in fiscal years 2021 and 2020, respectively. In fiscal year 2021, CARES Act grants in the amount of $21.9 million was used to apply against debt service payments, and $249.3 million was used to apply against LAX maintenance and operation expenses. 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.

The total principal and interest remaining to be paid on the bonds is $14.1 billion as of June 30, 2021. Principal and interest paid during fiscal year 2021 and the net pledged revenues on GAAP basis (as defined in the master senior and subordinate indentures, after application of the $73.5 million PFCs funds and $271.2 million CARES Act grants discussed in the preceding paragraph), were $487.7 million and $694.4 million, respectively. 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.

c. Bond Issuances

Fiscal Year 2021

On August 27, 2020, LAX issued $558.5 million of senior refunding revenue bonds Series 2020B with a premium of $147.4 million, $380.0 million senior revenue bonds Series 2020C with a premium of $90.6 million, and $120.0 million senior revenue bonds Series 2020D with a premium of $29.1 million. The bonds were issued to fund certain capital projects at LAX, and to refund and defease all of the outstanding Series 2010A senior revenue bonds, Series 2010B subordinate revenue bonds and Series 2010D senior revenue bonds in the amount of $316.9 million, $134.7 million and $315.8 million, respectively. This transaction resulted in cash flow savings of $388.6 million, economic gain of $265.1 million; and a net gain for accounting purposes of $18.2 million, which is included in deferred inflows of resources and is being amortized over the remaining life of the bonds through May 2040.

On February 17, 2021, LAX issued $405.4 million of subordinate revenue and refunding revenue bonds Series 2021A with a premium of $123.8 million, $395.0 million of subordinate revenue and refunding revenue bonds Series 2021B with a premium of $133.7 million, and $92.9 million of subordinate refunding revenue bonds Series 2021C with no premium. The bonds were issued to fund certain capital projects at LAX, and to refund a portion of outstanding bonds and subordinate commercial paper notes maturing in fiscal year 2021.

Fiscal Year 2020

On December 17, 2019, LAX issued $411.6 million of 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, LAX issued $738.6 million of 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.

Notes to the Financial Statements
June 30, 2021 and 2020
(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
2022	$ 144,245	$ 413,267	$ 557,512
2023	148,750	396,262	545,012
2024	206,450	389,128	595,578
2025	241,355	378,715	620,070
2026	253,800	366,882	620,682
2027 - 2031	1,477,045	1,634,094	3,111,139
2032 - 2036	1,845,770	1,231,892	3,077,662
2037 - 2041	2,031,625	741,465	2,773,090
2042 - 2046	1,307,625	315,635	1,623,260
2047 - 2051	567,820	54,341	622,161
Total	$ 8,224,485	$ 5,921,681	$ 14,146,166

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, 2021 and September 30, 2020 reduced the subsidy. The interest subsidy on the BABs was $7.2 million in both fiscal years 2021 and 2020. The BABs rates were 5.7% and 5.9% for fiscal years 2021 and 2020, respectively. The subsidy is recorded as a non-capital grant, a component of other nonoperating revenue.

f. Other Significant Obligations

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

Commercial Paper Reimbursement Agreements

LAX's prior commercial paper reimbursement agreements contained a provision that upon the occurrence of an event of default by LAX, the applicable letter of credit (LOC) bank could, 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 PlC, Sumitomo Mitsui Banking Corporation, and Bank of America, N.A.

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. Capital expenditures for the APM milestones payment of $149.6 million was accrued in contracts and accounts payable as of June 30, 2021, and payment was made in July 2021.

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.

7. Changes in Long-Term Liabilities

LAX had the following long-term liabilities activities for fiscal year ended June 30, 2021 (amounts in thousands):

	Balance at June 30, 2020	Additions	Reductions	Balance at June 30, 2021	Current Portion
Revenue bonds	$ 7,163,170	$ 1,951,855	$ (890,540)	$ 8,224,485	$ 144,245
Unamortized premium	941,378	524,614	(91,525)	1,374,467	—
Net revenue bonds	8,104,548	2,476,469	(982,065)	9,598,952	144,245
Accrued employee benefits	56,647	7,288	(5,665)	58,270	6,235
Estimated claims payable	99,227	9,912	(8,912)	100,227	9,643
Net pension liability	807,686	199,080	—	1,006,766	—
Net OPEB liability	68,484	11,927	—	80,411	—
Other long-term liabilities	886	—	(1)	885	—
Total	$ 9,137,478	$ 2,704,676	$ (996,643)	$ 10,845,511	$ 160,123

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

	Balance at July 1, 2019	Additions	Reduction	Balance at June 30, 2020	Current Portion
Revenue bonds	$ 7,140,000	$ 1,150,150	$ (1,126,980)	$ 7,163,170	$ 141,025
Add 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	48,631	13,365	(5,349)	56,647	5,665
Estimated claims payable	93,471	14,926	(9,170)	99,227	8,912
Net pension liability	773,419	34,267	—	807,686	—
Net OPEB liability	77,769	—	(9,285)	68,484	—
Other long-term liabilities	886	—	—	886	—
Total	$ 8,836,953	$ 1,522,966	$ (1,222,441)	$ 9,137,478	$ 155,602

8. Leases and Agreements

a. Operating Leases and Agreements As Lessor

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

In response to the COVID-19 pandemic, LAX is proactively implementing measures intended to mitigate operational and financial impacts. Among those measures were the April 2020 approvals of the Passenger Airline Temporary Relief Program and the Concessionaires and Services Temporary Relief Program. On October 21, 2021, the Board approved to amend concession agreements at LAX to revise payment terms due to the continuing impacts of COVID-19. For concessions that are open and conducting business at LAX, the Board approved to extend the revised rent payment terms, require payment of percentage rents instead of MAG rent for the period July 1, 2021 through June 30, 2022, and establish new MAG rents effective July 1, 2022. LAWA plans to use ARPA grant funds to offset the revenue LAWA will forgo by continuing to suspend MAG payments through June 30, 2022.

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. All airlines that received a deferral of terminal and airfield fees have repaid the same in accordance with the requirements of the Passenger Airline Temporary Relief Program in fiscal year 2021.

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):

- LAX 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, LAX 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. All concessionaires' that received a deferral have repaid the same in accordance with the requirements of the Concessionaires and Services Temporary Relief Program in fiscal year 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:

- 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, 2021 and 2020, revenues from such agreements were approximately $99.6 million and $279.8 million, respectively. The respective amounts over MAG were $94.3 million and $81.8 million.

Notes to the Financial Statements
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(continued)

Future rents for fiscal year 2022 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 2023 to 2026 are estimated based on the specific MAG in the agreements. The estimated future rents are as follows (amount in thousands):

Fiscal year ending		Amount
2022	$	106,087
2023		202,071
2024		167,954
2025		115,390
2026		19,829
Total	$	611,331

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. 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 Bradley West Gates (formerly known as Midfield Satellite Concourse). The construction of the new concourse started in February 2017 and was completed and commenced operation in May 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 2022 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 2023 to 2026 are estimated based on the specific MAG in the agreements. The estimated future rents are as follows (amount in thousands):

Fiscal year ending		Amount
2022	$	38,922
2023		39,895
2024		40,892
2025		41,914
2026		43,493
Total	$	205,116

LAX also leases land and terminal facilities to certain airlines and others. The terms of these long-term leases range from less than 10 years to 40 years and generally expire between 2021 and 2024. Certain airlines and consortium of airlines also pay maintenance and operating charges (M&O Charges) that include direct and indirect costs allocated to all passenger terminal buildings, other related and appurtenant facilities, and associated land. Rates for M&O Charges are set each calendar year based on the actual audited M&O Charges for the prior fiscal year ending June 30. The land and terminal lease agreements are accounted for as operating leases. For the fiscal years ended June 30, 2021 and 2020, revenues from these leases were $710.0 million and $687.0 million, respectively.

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June 30, 2021 and 2020
(continued)

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
2022	$ 587,443
2023	559,361
2024	522,808
2025	431,064
2026	336,445
Total	$ 2,437,121

The carrying cost and the related accumulated depreciation of property held for operating leases as of June 30, 2021 and 2020 are as follows (amounts in thousands):

	2021	2020
Buildings and facilities	$ 6,228,923	$ 6,225,464
Accumulated depreciation	(1,767,601)	(1,516,428)
Net	4,461,322	4,709,036
Land	522,328	522,328
Total	$ 4,983,650	$ 5,231,364

b. Lease Obligations

LAX leases office spaces under operating lease agreements that expire through 2032. Lease payments for the fiscal years ended June 30, 2021 and 2020 were $9.2 million and $7.5 million, respectively. Future minimum lease payments under the agreements are as follows (amounts in thousands):

Fiscal year(s) ending		Amount
2022	$	8,089
2023		8,166
2024		8,275
2025		8,387
2026		6,189
2027-2031		11,115
2032-2036		1,983
Total	$	52,204

9. Passenger Facility Charges

Passenger Facility Charges (PFCs) are fees imposed on enplaning passengers by airports to finance eligible airport related projects that preserve or enhance safety, capacity, or security of the national air transportation system; reduce noise or mitigate noise impacts resulting from an airport; or furnish opportunities for enhanced competition between or among carriers. Both the fee and the intended projects are reviewed and approved by the Federal Aviation Administration (FAA). Airlines operating at LAX have been collecting PFCs on behalf of LAX. PFCs are recorded as nonoperating revenue and presented as restricted assets in the financial statements. The current PFCs is $4.50 per enplaned passenger. PFCs collection authorities approved by FAA were $6.0 billion as of June 30, 2021 and 2020. LAX 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 $73.5 million and $144.7 million were used for debt service in fiscal years 2021 and 2020, respectively.

The following is a summary of projects approved by FAA as of June 30, 2021 and 2020 (amounts in thousands):

	2021	2020
Terminal development	$ 4,891,679	$ 4,891,679
Noise mitigation	1,064,015	1,057,476
Airfield development and equipment	83,620	83,620
Total	$ 6,039,314	$ 6,032,775

PFCs collected and the related interest earnings through June 30, 2021 and 2020 were as follows (amounts in thousands):

	2021	2020
Amount collected	$ 2,813,676	2,744,928
Interest earnings	232,703	228,129
Total	$ 3,046,379	$ 2,973,057

Cumulative expenditures on approved PFCs projects totaled $2.8 billion and $2.6 billion for fiscal years 2021 and 2020, 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):

	2021	2020
Amount collected	$ 500,903	$ 468,297
Interest earnings	40,275	36,639
Subtotal	541,178	504,936
Expenditures		
ConRAC planning, design and construction	448,200	83,683
Unexpended CFCs revenue and interest earnings	$ 92,978	$ 421,253

LAX is in the stages of delivering LAMP to modernize and improve landside access at LAX with the ConRAC as a critical component. Pursuant to Board Resolution No. 26684 that was adopted on January 17, 2019, LAWA has authority to use up to $2.1 billion for the payment/reimbursement of Design-Build-Finance- Operate-Maintain (DBFOM) Agreement with LA Gateway Partners for the ConRAC from sources of revenue including but not limited to CFCs, LAX non-aeronautical revenues, special facility bond proceeds, and revenues derived from concession and lease agreements between LAWA and rental car companies using the ConRAC. In this regard, the amount of CFC funds that was used for ConRAC Design and Construction (D&C) payments was $364.5 million and $80.7 million in fiscal years 2021 and 2020, respectively. LAX's cumulative expenditures on approved CFCs projects totaled $448.2 million and $83.7 million for fiscal years 2021 and 2020, respectively.

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11. Capital Grant Contributions

Contributed capital related to government grants and other aid totaled $313.0 million and $86.0 million in fiscal years 2021 and 2020, 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.

LAX was awarded CARES Act grants in the amount of approximately $323.6 million payable on a reimbursement basis. LAX'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. The drawn amounts of $271.2 million and $52.4 million in LAX were recognized as grants revenue to stabilize cost increases in airline rates at LAX for fiscal year 2021 and 2020, respectively. In fiscal year 2021, CARES Act grants in the amount of $21.9 million was used to apply against debt service payments, and $249.3 million was used to apply against LAX maintenance and operation expenses. 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.

Personal Protective Equipment receipts

During fiscal year 2020, LAX received donations of personal protective equipment (PPE) from Federal Aviation Administration (FAA) and Federal Emergency Management Administration (FEMA) for distribution to its employees, customers and other airports. Total of 4.0 million of face masks were received valued at $11.9 million, which represents estimated fair market values on the dates of donation receipts. No additional PPE was received from FAA and FEMA in fiscal year 2021. The remaining inventory of face masks were approximately 3.9 million (valued at $11.7 million) and 4.0 million (valued at $11.9 million) as of June 30, 2021 and 2020, respectively.

12. Related Party Transactions

The City provides services to LAX such as construction and building inspection, fire and paramedic, police, water and power, and certain administrative services. The costs for these services for fiscal years ended June 30, 2021 and 2020 were $113.5 million and $115.9 million, respectively.

LAX collects parking taxes on behalf of the City's General Fund. The parking taxes collected and remitted during each of fiscal years 2021 and 2020 were $5.5 million and $11.1 million, respectively.

LAX shares certain administrative functions with VNY and PMD including, but not limited to, legal, human services, and financial services. Also, beginning fiscal year 2011, LAX pays VNY annual rent for the use of the land where the Flyaway Terminal resides. The rent is adjusted every July 1 of each year based on the consumer price index. The adjusted rent was $1.3 million and $1.2 million for fiscal years 2021 and 2020, respectively. The details are as follows (amounts in thousands):

	2021	2020
Allocated administrative costs		
VNY	$ 2,495	2,580
PMD	414	508
Total	2,909	3,088
Land rental	(1,260)	(1,243)
Net	$ 1,649	$ 1,845

13. Pension Plan

I. *Los Angeles City Employees' Retirement System*

a. General Information

Plan Description

All full-time employees of LAX are eligible to participate in the Los Angeles City Employees' Retirement System (LACERS), a single-employer defined benefit pension plan (the Pension Plan). LACERS serves as a common investment and administrative agent for City departments and agencies that participate in LACERS. LACERS is under the exclusive management and control of its Board of Administration whose authority is granted by statutes in Article XVI, Section 17 of the California State Constitution, and Article XI of the Los Angeles City Charter. Benefits and benefit changes are established by ordinance and approved by City Council and the Mayor.

All employees who became members of LACERS before July 1, 2013 are designated as Tier 1 members. On or after July 1, 2013, new employees became members of LACERS Tier 2. On July 9, 2015, Tier 2 was rescinded and a new tier of benefits was created. As a result, Ordinance No. 184134 was adopted on January 12, 2016, where all active Tier 2 members were transferred to Tier 1 as of February 21, 2016. Thereafter, new members became Tier 3 members of LACERS. Membership to Tier 1 is now closed to new entrants.In fiscal year 2018, LACERS became closed to Airport Peace Officers (APO) and all new APO hired after January 6, 2018 would be enrolled in City of Los Angeles Fire and Police Pensions (LAFPP) Tier 6, rather than in LACERS. Please refer to Note 13.II for more information.

LACERS' publicly issued financial report, which covers both pension benefits and other postemployment benefits, may be obtained by writing or calling: Los Angeles City Employees' Retirement System, 202 W. First Street, Suite 500, Los Angeles, CA 90012-4401, (800) 779-8328 or LACERS' website *http://lacers.org/aboutlacers/reports/index.html*. As a City department, LAWA shares in the risks and costs with the City. LAX presents the related defined benefit disclosures as a participant in a single employer plan of the City on a cost-sharing basis. As of the report date of LAX's financial statements, LACERS' financial statements and the Pension Plan's actuarial valuation study for fiscal year 2020 are not yet available.

Benefits Provided

LACERS provides for service and disability retirement benefits, as well as death benefits. Members of LACERS have a vested right to their own contributions and accumulated interest posted to their accounts. Generally, after five years of employment, members are eligible for future retirement benefits, which increase with length of service. If a member who has five or more years of continuous City service terminates employment, the member has the option of receiving retirement benefits when eligible or having his or her contributions and accumulated interest refunded. Benefits are based upon age, length of service, and compensation.

LACERS Tier 1 members are eligible to retire with unreduced benefits if they have 10 or more years of continuous City service at age 60, or at least 30 years of City service at age 55, or with any years of City service at age 70 or older. Members also are eligible to retire with age-based reduced benefits after reaching age 55 with 10 or more years of continuous City service, or at any age with 30 or more years of City service. Full (unreduced) retirement benefits are determined as 2.16% of the member's average monthly pensionable salary during the member's last 12 months of service, or during any other 12 consecutive months of service designated by the member, multiplied by the member's years of service credit. Members with five years of continuous service are eligible for disability retirement, and the benefits are determined as 1/70 of the member's final average monthly salary for each year of service or 1/3 of the member's final average monthly salary, if greater.

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

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

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

Notes to the Financial Statements
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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, 2020 and June 30, 2019, respectively, were as follows: (Note: information for fiscal year 2021 is not yet available as of this report issue date.)

		2020	2019
Active			
	Vested	17,722	17,812
	Non-vested	9,768	8,820
		27,490	26,632
Inactive			
	Non-vested	6,728	6,149
	Terminated entitled to benefits, not yet receiving benefits	2,479	2,439
	Retired	20,423	20,034
Total		57,120	55,254

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 24.75% and 23.06% of compensation as of June 30, 2020 (based on the June 30, 2018 valuation) and June 30, 2019 (based on the June 30, 2017 valuation), respectively. (Note: information for fiscal year 2021 is not yet available as of this report issue date).

The total City contributions to LACERS of $814.2 million and $817.2 million for the years ended June 30, 2021 and June 30, 2020, respectively, consisted of the following (amounts in thousands):

	2021	2020
Required contributions - Retirement Plan	$ 554,856	$ 553,118
Family death benefit Plan	98	104
Total City contributions	554,954	553,222
Member contributions - Retirement Plan	259,284	263,936
Total	$ 814,238	$ 817,158

The required City contribution of $554.9 million was equal to 100% of the actuarially determined employer contribution. Member contributions of $259.3 million were made toward the retirement and voluntary family death benefits for fiscal year 2021.

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.

LAX's Contributions to the Pension Plan

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

	2021	2020
LAX's required contributions to the Pension Plan	$ 68,312	$ 73,229

The LAX contributions made to the Pension Plan under the required contribution category in the amounts of $68.3 million and $73.2 million for fiscal years 2021 and 2020, respectively, were equal to 100% of the actuarially determined contribution of the employer.

Notes to the Financial Statements
June 30, 2021 and 2020
(continued)

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 2021 was measured as of June 30, 2020 and determined based upon the Plan Fiduciary Net Position (FNP) and Total Pension Liability (TPL) from actuarial valuation as of June 30, 2020.

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, 2021 (measurement date of June 30, 2020), LAX reported its proportionate shares of TPL, FNP and NPL as follows (amounts in thousands):

	Reporting date 6/30/21 Measurement date 6/30/20
LAX's proportionate share:	
Total Pension Liability	$ 2,979,337
Plan Fiduciary Net Position	(1,974,887)
Net Pension Liability	$ 1,004,450
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	66.29%

LAX's NPL was measured as the proportionate share of the NPL based on the employer contributions made by LAX during fiscal year 2020. The NPL was measured as of June 30, 2020 and determined based upon the Pension Plan's FNP (plan assets) and TPL from actuarial valuations as of June 30, 2020.

Change in LAX's proportionate share of the NPL as of June 30, 2021 (measurement date June 30, 2020) and 2020 (measurement date June 30, 2019) was as follows (amounts in thousands):

	NPL	Proportion
Proportion - Reporting date June 30, 2021 (measurement date June 30, 2020)	$ 1,004,450	13.23%
Proportion - Reporting date June 30, 2020 (measurement date June 30, 2019)	$ 806,117	13.49%
Change - Increase (decrease)	$ 198,333	(0.26)%

For the year ended June 30, 2021, LAX recognized pension expense of $127.4 million. At June 30, 2021, LAX reported deferred outflows of resources and deferred inflows of resources related to pensions from the following resources (amounts in thousands):

	Deferred outflows of resources	Deferred inflows of resources
Pension contributions subsequent to measurement date	$ 68,312	$ —
Differences between expected and actual experience	40,773	9,829
Changes of assumptions	93,567	—
Net difference between projected and actual earnings on pension plan investments	70,564	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,160	14,451
Total	$ 274,376	$ 24,280

$68.3 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, 2022. 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
2022	$ 39,062
2023	54,346
2024	48,656
2025	39,720
2026	—

Notes to the Financial Statements
June 30, 2021 and 2020
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Actuarial Assumptions

The total pension liability as of June 30, 2021 was determined by actuarial valuation as of June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

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

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2020 and 7.25% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rates and that employer contributions will be made at rates equal to the actuarially-determined contribution rates. For this purpose, only employee and employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the retirement plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability as of both June 30, 2020 and June 30, 2019.

The long-term expected rate of return on retirement plan investments was determined using a building block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before deducting investment expenses, are summarized in the following table. These values were used in the derivation of the long-term expected investment rate of return assumption that was used in the actuarial valuation as of June 30, 2020. This information is subject to change every three years based on the actuarial experience study. The last experience study was for July 1, 2016 through June 30, 2019. The next experience study will be conducted in 2022.

Notes to the Financial Statements
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Asset Class	Target Allocation	Arithmetic Long-Term Expected Real Rate of Return
U.S. Large Cap Equity	15.01%	5.50%
U.S. Small Cap Equity	3.99	6.30
Developed International Large Cap Equity	17.01	6.60
Developed International Small Cap Equity	2.97	6.90
Emerging International Large Cap Equity	5.67	8.70
Emerging International Small Cap Equity	1.35	10.60
Core Bonds	13.75	1.20
High Yield Bonds	2.00	3.10
Bank Loans	2.00	3.70
Emerging Market Debt (External)	2.25	3.60
Emerging Market Debt (Local)	2.25	4.80
Private Debt	3.75	6.00
Core Real Estate	4.20	4.60
Real Estate Investment Trust	1.00	6.00
Treasury Inflation Protected Securities	4.00	0.90
Commodities	1.00	3.30
Non-Core Real Assets	2.80	5.80
Private Equity	14.00	9.00
Cash	1.00	0.00
Total	100.00%	

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

The following presents LAX's proportionate share of the NPL as of June 30, 2021, calculated using the discount rate of 7.00%, as well as what LAX's proportionate share of NPL would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate (amounts in thousands):

	June 30, 2021
1% decrease	6.00%
Net Pension Liability	$1,407,538
Current discount rate	7.00%
Net Pension Liability	$1,004,450
1% increase	8.00%
Net Pension Liability	$670,954

Notes to the Financial Statements
June 30, 2021 and 2020
(continued)

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

a. General Information

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

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 2020 and 2019, the average employer contribution rates for pension benefits are 26.20% and 26.63%, respectively, of covered payroll.LAX has made 100% of the actuarially determined contributions for both fiscal years.

LAX's Contributions to the LAFPP Plan

In fiscal year 2021, LAX's contribution rate for the APO that are members of the LAFPP Tier 6 plan, as determined by the actuary was 28.30% of covered payroll. Based on LAX's reported covered payroll of $7.9 million for Tier 6, LAX's pro rata share of the combined actuarially determined contribution for pension and postemployment healthcare benefits, and actual contribution made to LAFPP was $2.2 million. In fiscal year 2020, LAX'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 LAX's reported covered payroll of $6.1 million for Tier 6, LAX's pro rata share of the combined actuarially determined contribution for pension and postemployment healthcare benefits, and actual contribution made to LAFPP was $1.7 million.

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

At June 30, 2021, LAX recognized its proportionate shares of NPL of $2.3 million and pension expense of $2.0 million for the LAFPP plan. LAX also reported deferred outflows of resources and deferred inflows of resources related to pensions for the LAFPP plan from the following resources (amounts in thousands):

	Deferred outflows of resources	Deferred inflows of resources
Pension contributions subsequent to measurement date	$ 1,559	$ —
Differences between expected and actual experience	1,259	11
Changes of assumptions	328	—
Net difference between projected and actual earnings on pension plan investments	194	—
Total	$ 3,340	$ 11

$1.6 million reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the NPL in the year ending June 30, 2022.

14. Other Postemployment Benefit Plan (OPEB)

I. Los Angeles City Employees' Retirement System

a. General Information

Plan Description

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

LACERS' publicly issued financial report, which covers both pension benefits and other postemployment benefits, may be obtained by writing or calling: Los Angeles City Employees' Retirement System, 202 W. First Street, Suite 500, Los Angeles, CA 90012-4401, (800) 779-8328 or LACERS' website *http://lacers.org/aboutlacers/reports/index.html*. As a City department, LAWA shares in the risks and costs with the City. LAX presents the related OPEB benefit disclosures as a participant in a single employer plan of the City on a cost-sharing basis. As of the report date of LAX's financial statements, LACERS' financial statements and the OPEB's actuarial valuation study for fiscal year 2020 are not yet available.

Benefits Provided

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

Membership

As of the measurement dates June 30, 2020 and June 30, 2019, the components of membership, excluding non-participating retirees and surviving spouses of LACERS postemployment healthcare benefits were as follows: (Note: information for fiscal year 2021 is not yet available as of this report issue date.)

	2020	2019
Retirement members/Surviving spouses (1)	16,107	15,791
Vested terminated members entitled to, but not yet receiving benefits (2)	1,526	1,474
Retired members and surviving spouses not yet eligible for health benefits	142	146
Active members	27,490	26,632
Total	45,265	44,043

(1) Total participants including married dependents and dependent children receiving benefits were 21,572 and 21,115 as of June 30, 2020 and 2019, 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, 2020, was 4.91% of covered payroll, determined by the June 30, 2018 actuarial valuation. 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. (Note: information for fiscal year 2021 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
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The total OPEB contributions to LACERS for the years ended June 30, 2020 and 2019 was $112.1 million and $107.9 million, representing 100% of the Actuarially Determined Contribution (ADC) of the employer as defined by GASB Statement No. 74[5]. (Note: information for fiscal year 2021 is not yet available as of this report issue date.)

LAX's Contributions to the Postemployment Health Care Plan

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

	2021	2020
LAX's required contributions to the Postemployment Health Care Plan	$ 12,064	$ 14,245

LAX’s contributions made for the Postemployment Health Care Plan, in the amounts of $12.1 million and $14.2 million for fiscal years 2021 and 2020, 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[6].

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

[6] *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, 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 2021 was measured as of June 30, 2020 and determined based upon the Plan Fiduciary Net Position (FNP) and Total OPEB Liability (TOL) from actuarial valuation as of June 30, 2020.

As of the reporting date June 30, 2021 (measurement date of June 30, 2020), LAX reported its proportionate shares of TOL, FNP and NOL as follows (amounts in thousands):

	Reporting date 6/30/21 Measurement date 6/30/20
LAX's proportionate share:	
Total OPEB Liability	$ 437,859
Plan Fiduciary Net Position	(358,071)
Plan's Net OPEB Liability	$ 79,788
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	81.78 %

LAX's NOL was measured as the proportionate share of the NOL based on the employer contributions made by LAWA during fiscal year 2020. The NOL was measured as of June 30, 2020 and determined based upon the Postemployment Health Care Plan's FNP (plan assets) and TOL from actuarial valuations as of June 30, 2020.

Change in LAX's proportionate share of the NOL as of June 30, 2021 (measurement date June 30, 2020) and 2020 (measurement date June 30, 2019) was as follows (amounts in thousands):

	NOL	Proportion
Proportion - Reporting date June 30, 2021 (measurement date June 30, 2020)	$ 79,788	12.56%
Proportion - Reporting date June 30, 2020 (measurement date June 30, 2019)	$ 67,889	13.00%
Change - Increase (Decrease)	$ 11,899	(0.44)%

Notes to the Financial Statements
June 30, 2021 and 2020
(continued)

For the year ended June 30, 2021, LAX recognized the Postemployment Health Care Plan's OPEB expense of $11.7 million. At June 30, 2021, LAX reported deferred outflows of resources and deferred inflows of resources related to the Postemployment Health Care Plan from the following resources (amounts in thousands):

	Deferred outflows of resources	Deferred inflows of resources
OPEB contributions subsequent to measurement date	$ 12,064	$ —
Differences between expected and actual experience	923	26,249
Changes of assumptions	20,856	—
Net difference between projected and actual earnings on OPEB plan investments	8,175	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	—	4,497
Total	$ 42,018	$ 30,746

$12.1 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, 2022. 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	$ (3,265)
2022	955
2023	2,675
2024	877
2025	(1,715)
2026	(319)

Actuarial Assumptions

The total OPEB liability as of June 30, 2021 was determined by actuarial valuation as of June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

Date of Experience Study	June 30, 2019 (July 1, 2016 through June 30, 2019)
Long-Term Expected Rate of Return	7.00%
Inflation	2.75%
Projected Salary Increases	Range from 4.25% to 9.95% based on years of service, including inflation
Mortality Table for Retirees	Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Tables (separate tables for males and females) with rates increased by 10% for males, projected generationally with the two-dimensional mortality improvement scale MP-2019.
Mortality Table for Disabled Retirees	Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Tables with rates increased by 10% for males and decreased by 5% for females, projected generationally with the two-dimensional mortality improvement scale MP-2019.
Mortality Table for Beneficiaries	Pub-2010 Contingent Survivor Amount-Weighted Above Meridian Mortality Tables with rates increased by 10% for males and females, projected generationally with the two-dimensional mortality improvement scale MP-2019.
Marital Status	60% of male and 35% of female retirees who receive a subsidy are assumed to be married or have a qualified domestic partner and elect dependent coverage.
Spouse Age Difference	Male retirees are assumed to be four years older than their female spouses. Female retirees are assumed to be two years younger than their male spouses.
Surviving Spouse Coverage	With regard to Members who are currently alive, 100% of eligible spouses or domestic partners are assumed to elect continued health coverage after the Member's death.
Healthcare Cost Trend Rates	Medical Premium Trend Rates to be applied in the following fiscal years, to all health plans. Trend Rate is to be applied to the premium for shown fiscal year to calculate next fiscal year's projected premium.

Medical Premium Trend Rates to be applied to fiscal year 2021 are:

First Fiscal Year (July 1, 2020 through June 30, 2021)

Carrier	Under Age 65	Age 65 & Over
Kaiser HMO	3.37%	3.12%
Anthem Blue Cross HMO	4.85%	N/A
Anthem Blue Cross PPO	3.71%	4.45%
UHC Medicare HMO	N/A	3.12%

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

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

Notes to the Financial Statements
June 30, 2021 and 2020
(continued)

Discount Rate

The discount rate used to measure the total OPEB liability was 7.00% as of June 30, 2020 and 7.25% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rates and that employer contributions will be made at rates equal to the actuarially-determined contribution rates. For this purpose, only employee and employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total OPEB Liability as of both June 30, 2020 and June 30, 2019.

The long-term expected rate of return on OPEB plan investments was determined using a building block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before deducting investment expenses, are summarized in the following table. These values were used in the derivation of the long-term expected investment rate of return assumption that was used in the actuarial valuation as of June 30, 2020. This information is subject to change every three years based on the actuarial experience study. The last experience study was for July 1, 2016 through June 30, 2019. The next experience study will be conducted in 2022.

Asset Class	Target Allocation	Arithmetic Long-Term Expected Real Rate of Return
U.S. Large Cap Equity	15.01%	5.50%
U.S. Small Cap Equity	3.99	6.30
Developed International Large Cap Equity	17.01	6.60
Developed International Small Cap Equity	2.97	6.90
Emerging International Large Cap Equity	5.67	8.70
Emerging International Small Cap Equity	1.35	10.60
Core Bonds	13.75	1.20
High Yield Bonds	2.00	3.10
Bank Loans	2.00	3.70
Emerging Market Debt (External)	2.25	3.60
Emerging Market Debt (Local)	2.25	4.80
Private Debt	3.75	6.00
Core Real Estate	4.20	4.60
Real Estate Investment Trust	1.00	6.00
Treasury Inflation Protected Securities	4.00	0.90
Commodities	1.00	3.30
Non-Core Real Assets	2.80	5.80
Private Equity	14.00	9.00
Cash	1.00	0.00
Total	100.00%	

The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates equal to the actuarially-determined contribution rates. For this purpose, employer contributions are intended only to fund the benefits of current plan members and their beneficiaries. Based on those assumptions, LACERS fiduciary net position was projected to be available to make all projected future benefit payments for current plan Members and their beneficiaries. Therefore, in accordance with the GASB Statement No. 74, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2021.

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

The following presents LAX's proportionate share of the net OPEB liability as of June 30, 2021, calculated using the discount rate of 7.00%, as well as what LAX's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate (dollar in thousands):

	June 30, 2021
1% decrease	6.00%
Net OPEB Liability	$142,897
Current discount rate	7.00%
Net OPEB Liability	$79,788
1% increase	8.00%
Net OPEB Liability	$28,271

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

The following presents LAX's proportionate share of the net OPEB liability as of June 30, 2021, as well as what LAX's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current trend rate[7] (dollar in thousands):

	June 30, 2021
1% decrease	
Net OPEB Liability	$23,502
Current Healthcare Cost Trend Rates	
Net OPEB Liability	$79,788
1% increase	
Net OPEB Liability	$150,095

[7] *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, 2021, LAX recognized its proportionate shares of NOL of $0.6 million and OPEB expense of $0.7 million for the LAFPP plan. LAX also reported deferred outflows of resources and deferred inflows of resources related to OPEB for the LAFPP plan from the following resources (amounts in thousands):

	Deferred outflows of resources	Deferred inflows of resources
OPEB contributions subsequent to measurement date	$ 665	$ —
Differences between expected and actual experience	411	303
Changes of assumptions	106	59
Net difference between projected and actual earnings on OPEB plan investments	51	—
Total	$ 1,233	$ 362

$0.7 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, 2022.

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 for bodily injury and property damage, with no 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.

LAX carries employment practices liability insurance coverage of $10.0 million for protection against employment-related losses, including coverage for defense costs and damages. LAX is self-insured for up to $2.5 million for employment practices liability losses. LAX carries cyber liability insurance with coverage limits of $15.0 million for protection against cyber liability risks and technology errors and omissions. LAX maintains a self-insured retention of $250,000 for cyber liability coverage.

Additionally, LAX maintains catastrophic loss fund for claims or losses that may exceed insurance policy limits or where insurance is not available or viable. Commercial insurance is used where it is legally required, contractually required, or judged to be the most effective way to finance risk. LAWA also monitors contractual transfer of risk by and through insurance review and requirements of contractors, tenants, airlines. For fiscal years 2021, 2020, and 2019, no claims were in excess of LAX's insurance coverage or approached a substantial portion of the overall coverage capacities.

A number of claims/lawsuits were pending against LAX that arose in the normal course of its operations. LAX recognizes a liability for claims and judgments when it is probable that an asset has been impaired or a liability has been incurred and the amount of the loss can be reasonably estimated. Outside counsel provides estimates for the amount of liabilities with a probability of occurring from these lawsuits. The probability weighted liability for litigation and other claims for the fiscal years ended June 30, 2021 and 2020 was $10.1 million.

LAX is self-insured as part of the City's program for workers' compensation. All workers' compensation cases are processed by LAWA under the City's workers compensation program. Liability and risk are retained by LAX. The actuarially determined accrued liability for workers' compensation includes provision for incurred but not reported claims and loss adjustment expenses. The present value of the estimated outstanding losses was calculated based on a 3% yield on investments. LAX's accrued workers' compensation liabilities at June 30, 2021 and 2020 were $90.1 million and $89.1 million, respectively.

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

	June 30		
	2021	2020	2019
Balance at beginning of year	$ 99,227	$ 93,471	$ 97,075
Provision for current year's events and changes in provision for prior years' events	9,912	14,926	6,745
Claims payments	(8,912)	(9,170)	(10,349)
Balance at end of year	$ 100,227	$ 99,227	$ 93,471
Current portion	(9,643)	(8,912)	(9,170)
Noncurrent portion	$ 90,584	$ 90,315	$ 84,301

16. Commitments, Litigations, and Contingencies

a. Commitments

LAX has commitments for open purchase orders of approximately $202.0 million and $178.7 million as of June 30, 2021 and 2020, respectively.

LAX has commitments to make a series of Milestone Payments according to the terms of contract for Automated People Mover (APM) totaling approximately $1.2 billion during the construction, based upon the value of work performed and/or its completion of certain design and construction milestones. Total payments of $792.5 million were made through fiscal year 2021. 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.

LAX has commitments to make a series of Consolidated Rental Car Facility (ConRAC) Milestone/Progress Payments of approximately $748.3 million during the construction based upon the value of work performed and/or its completion of certain design and construction milestones. Total payments of $487.4 million were made through fiscal year 2021. Additional commitments related to further Availability Payments are subject to project completion.

LAX has the following commitments on major construction contracts[8]:

Project	Amount (in millions)
Roadways, Utilities & Enabling Projects	$ 305
TBIT Core & APM Interface	139
Total	$ 444

LAX has the following commitments on major tenant based acquisitions[8]:

Project	Amount (in millions)
Terminals 4/5 Improvement	$ 1,256
Terminals 2/3 Improvement	1,207
Terminal 6 Improvement	216
TBIT/MSC Baggage System	73
Total	$ 2,752

[8] *Unpaid portion of total commitments.*

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

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

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

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

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

17. Subsequent Events

On July 8, 2021, the Board approved to accept grant offers and execute grant agreements with the Federal Aviation Administration (FAA) for economic relief funds provided from the American Rescue Plan Act of 2021, for the reimbursement of grant-eligible expenses incurred and payments made for LAX and VNY, and for rent relief for grant-eligible airport concessions at LAX. On June 22, 2021, the FAA announced that LAWA is eligible to receive up to $303.9 million in formula-based grant allocations from the American Rescue Grant Program (ARPA). The American Rescue Grant Program is a result of the passage of the American Rescue Plan Act of 2021, and is the third funding round of economic relief grants provided by the FAA to eligible commercial service and reliever airports throughout the United States. The intent of the grant program is to address the impacts of the decrease in global air traffic and economic disruption at airports due to the COVID-19 pandemic. The first and second funding rounds of economic relief were provided under the Coronavirus Aid, Relief, and Economic Security Act of 2020 (CARES Act) and the Coronavirus Response and Relief Supplemental Appropriation Act of 2021 (CRRSAA), respectively. A summary of the three funding rounds of economic relief for LAX and VNY is provided below.

Federal Program	LAX Amount (in millions)	VNY Amount (in thousands)	LAWA Amount (in millions)
CARES Act	$ 323.6	$ 157.0	$ 323.8
CRRSAA	72.3	57.0	72.3
ARPA	303.8	148.0	303.9
Total	$ 699.7	$ 362.0	$ 700.0

On July 8, 2021, the Board approved to appropriate funds in the amount of $1.1 billion to acquire Terminal Improvements contemplated in the Terminal Facilities Lease and License Agreement LAA-9037 with American Airlines, Inc. at LAX; approved the Third Amendment to the Terminal Facilities Lease and License Agreement; and approved the direct disbursement of up to $1.6 million for Concessions Buy-Outs or Convenience Termination Payments for concessionaires in Terminal 4 impacted by the American Airlines, Inc. development program in order to facilitate improvements and enhancements to the headhouse (an arrival and departure hall), concourse, and satellite at Terminals 4 and 5 at LAX.

On August 12, 2021, the Board approved the execution of amended agreements related to the extension of the Bank of America, N.A. direct-pay letter of credit that provides credit support for a portion of the LAX Commercial Paper Program, and all required actions to complete this financial transaction in order to provide credit support over three years for up to $90.0 million of principal and $8.1 million of interest, on commercial paper notes (CP) outstanding at any one time, to expire on September 6, 2024.

On September 2, 2021, the Board approved an award of contract to ABM Aviation, Inc. (ABM) to manage and operate remote employee parking lots and provide courtesy shuttle services for LAX employees and the public between the remote employee parking lots, LAX City Bus Center, and LAX Central Terminal Area (CTA), for a ten year term and total contract amount not to exceed $160.0 million. The parking services include: web-based on-line parking permit sales, collection of parking revenue and deposit into LAWA's bank account, access control system maintenance and operation, cleaning of lots, and lot security patrols. In addition, ABM also is required to procure new buses to replace LAWA's aging bus fleet. The ABM bus fleet proposal includes procurement of 22 new Carbon Neutral Gas (CNG) buses and eleven new electric buses, in compliance with the California Air Resource Board (CARB) zero-emission airport shuttle (ZEAS) vehicle requirements for 33 percent electric vehicle (EV) replacements by December 31, 2027. Under the new agreement, ABM also will be required to maintain its own shuttle bus fleet, including repairs, cleaning, and fueling of the buses.

On September 2, 2021, the Board approved to adopt new public parking and electric vehicle charging rate ranges for LAX at the CTA garages, the new LAX Economy Parking facility (located at the Intermodal Transportation Facility West), and the Van Nuys FlyAway parking facility, and authorize the Chief Executive Officer, for a period of three years, to manage the setting of specific posted rates within the ranges and to offer discounted rates online. The LAWA staff were implementing an improved smart parking solution that will introduce a number of new functions for users, including automated payments, touchless entry and exit, pre-bookings, reservations, automated gates, a parking guidance system, new information technology systems, electric chargers, and other key passenger experience improvements. Smart Parking not only will greatly enhance the passenger experience, but will also provide LAWA the ability to better manage its parking inventory, optimize revenue, increase market share, and grow its customer base. In October 2020, the Board awarded a seven-year contract (DA -5466) to ABM to implement the new Smart Parking initiative to modernize parking services at LAX and VNY. ABM estimated that, based on (1) the proposed rates, (2) anticipated customer uptake of the pre-booking option, and (3) future passenger demand, LAWA will generate $1.336 billion in revenue from the seven-year program (Calendar Year from 2021 through 2027).

On October 6, 2021, LAWA issued $753.2 million of LAX subordinate revenue bonds Series 2021D with a premium of $178.4 million, and $125.8 million of LAX subordinate refunding revenue bonds Series 2021E at par. The Series 2021D bonds were primarily issued to fund certain capital projects at LAX, refund a portion of the outstanding subordinate Commercial Paper Notes; refund and defease a portion of the outstanding LAX subordinate revenue bonds Series 2016A and a portion of the outstanding LAX senior refunding revenue bonds Series 2016C, in each case to realize debt service savings. The Series 2021E bonds were primarily issued to pay a portion of the interest due November 15, 2021 on certain existing senior bonds and existing subordinate bonds; and refund and defease a portion of the refunded series 2016A subordinate bonds and a portion of the refunded series 2016C senior bonds.

On Oct 7, 2021, the Board approved the LAX Airfield and Terminal Modernization Project (ATMP), certified the Final Environmental Impact Report (FEIR) for the ATMP, adopted the associated documents; approved the LAX Specific Plan Compliance Review Determination set forth in the Executive Director's Report; and approved the LAX ATMP as described in the FEIR. The ATMP focuses on airfield and terminal improvements within the airport’s existing footprint, and landside (roadway) improvements that help reduce local traffic congestion. The approximate cost of the project is estimated to be $6 billion. The actions taken on this item by the Board is subject to City Council approval.

Notes to the Financial Statements
June 30, 2021 and 2020
(continued)

On October 21, 2021, the Board approved to amend the rental car concession agreements at LAX to establish a consistent period to recalculate the Minimum Annual Guarantee (MAG) amounts and sustainably reintroduce MAG rent provisions. Effective on July 1, 2021, the MAG was to be calculated based on the 12-month period March 1, 2020 through February 28, 2021. The Future Year MAG are to be recalculated annually based on revenue reports submitted for the previous 12-month period (beginning on the first day of March through the last day of February the following year). This amendment will ensure LAWA receive the greater of concessions fee revenue and MAG rents, as well as CFCs. Rental car concession fees revenue to LAWA is forecasted to be $40.6 million in fiscal year 2022.

On October 21, 2021, the Board approved to amend concession agreements at LAX to revise payment terms due to the continuing impacts of COVID-19. For concessions that are open and conducting business at LAX, the Board approved to extend the revised rent payment terms to require payment of percentage rents instead of MAG rent for the period July 1, 2021 through June 30, 2022, and establish new MAG rents effective July 1, 2022. LAWA plans to use ARPA grant funds to offset the revenue LAWA will forgo by continuing to suspend MAG payments through June 30, 2022. The approved amendments will reinstate MAG rents effective July 1, 2022, based on the greater of two calculations: (1) the contractually established percentage of the prior year's rent payments; and, (2) a temporary MAG calculated by multiplying the pre-COVID MAG by a ratio of current passenger levels to pre-COVID passenger levels. Thereafter, the MAG will reset annually as the greater of three calculations: (1) the contractually established percentage of prior year's rent payments; (2) the prior year MAG; and, (3) the pre-COVID MAG. This will reset MAG annually based on passenger levels, up to the point that traffic levels exceed the pre-COVID passenger levels, at which point the annual MAG reset will be handled in accordance with the original agreements. As a condition of the prior rent relief programs approved by the Board, the concessionaires contributed funds to extend health insurance for employees furloughed or laid off due to the impacts of COVID-19. The fiscal impact of this action is projected to be an additional loss of approximately $130 million some of which may be eligible for the ARPA grant reimbursement, and has been budgeted in fiscal year 2022.

Required Supplementary Information (Unaudited)

2021 Annual Financial Report

Los Angeles International Airport

Required Supplementary Information (Unaudited)

Los Angeles World Airports

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

Los Angeles International Airport

Required Supplementary Information (Unaudited)

Last Ten Fiscal Years Ended June 30

(amounts in thousands)

Pension Plan

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

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

Los Angeles City Employees' Retirement System (LACERS)

Fiscal Year	Proportion of the Net Pension Liability	Proportionate share of the Net Pension Liability	Covered Payroll (3)	Proportionate share of the Net Pension Liability as a percentage of its Covered Payroll	Proportionate share of Pension Plan's Fiduciary Net Position	Proportionate share of Pension Plan's Total Pension Liability	Pension Plan's Fiduciary Net Position as a percentage of the Total Pension Liability
2015	12.71 %	$ 566,613	$ 229,535	246.85 %	$ 1,498,734	$ 2,065,347	72.57 %
2016	12.87 %	$ 642,431	$ 235,176	273.17 %	$ 1,534,875	$ 2,177,306	70.49 %
2017	13.55 %	$ 761,187	$ 256,833	296.37 %	$ 1,599,900	$ 2,361,087	67.77 %
2019	13.47 %	$ 710,724	$ 266,780	266.41 %	$ 1,774,969	$ 2,485,693	71.41 %
2019	13.52 %	$ 771,926	$ 274,167	281.55 %	$ 1,924,658	$ 2,696,584	71.37 %
2020	13.49 %	$ 806,117	$ 275,892	292.19 %	$ 1,997,900	$ 2,804,017	71.25 %
2021	13.23 %	$ 1,004,450	$ 287,623	349.22 %	$ 1,974,887	$ 2,979,337	66.29 %

Notes to schedule:

1. Changes of assumptions

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

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

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

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)

	2021	2020	2019	2018	2017
Contractually required contribution (actuarially determined)	$ 68,312	$ 73,229	$ 64,737	$ 60,948	$ 61,197
Contributions in relation to the actuarially determined contributions	68,312	73,229	64,737	60,948	61,197
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —
LAX's covered payroll	$ 266,355	$ 287,623	$ 275,892	$ 274,167	$ 266,780
LAX's contributions as a percentage of covered payroll	25.65 %	25.46 %	23.46 %	22.23 %	22.94 %

	2016	2015
Contractually required contribution (actuarially determined)	$ 55,972	$ 49,043
Contributions in relation to the actuarially determined contributions	55,972	49,043
Contribution deficiency (excess)	$ —	$ —
LAX's covered payroll	$ 256,833	$ 235,176
LAX's contributions as a percentage of covered payroll	21.79 %	20.85 %

Notes to Schedules - Pension

Los Angeles City Employees' Retirement System (LACERS)

Valuation Date	June 30, 2020
Actuarial Cost Method	Entry age actuarial cost method
Amortization Method	Level percent of payroll
Investment Rate of Return	7.00%
Inflation	2.75 %
Projected Salary Increases	Ranges from 4.25% to 9.95% based on years of service

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, LAX presented information only for those years for which information is available. Additional years will be displayed in the future as they become available.

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

Los Angeles City Employees' Retirement System (LACERS)

Fiscal Year	Proportion of the Net Postemployment Health Care (OPEB) Liability	Proportionate share of the Net OPEB Liability	Covered Payroll (1)	Proportionate share of the Net OPEB Liability as a percentage of its Covered Payroll	Proportionate share of Postemployment Health Care Plan's Fiduciary Net Position	Proportionate share of Postemployment Health Care Plan's Total OPEB Liability	Postemployment Health Care Plan's Fiduciary Net Position as a percentage of the Total OPEB Liability
2018	13.46 %	$ 76,310	$ 266,780	28.60 %	$ 328,269	$ 404,579	81.14 %
2019	13.28 %	$ 77,056	$ 274,167	28.11 %	$ 355,290	$ 432,346	82.18 %
2020	13.00 %	$ 67,889	$ 275,892	24.61 %	$ 365,588	$ 433,477	84.34 %
2021	12.56 %	$ 79,788	$ 287,623	27.74 %	$ 358,071	$ 437,859	81.78 %

Notes to schedule:

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

Schedule of Contributions - OPEB

Los Angeles City Employees' Retirement System (LACERS)

	2021	2020	2019	2018
Contractually required contribution (actuarially determined)	$ 12,064	$ 14,245	$ 14,212	$ 13.586
Contributions in relation to the actuarially determined contributions	12,064	14,245	14,212	13.586
Contribution deficiency (excess)	$ —	$ —	$ —	$ —
LAX's covered payroll	$ 266,355	$ 287,623	$ 275,892	$ 274,167
LAX's contributions as a percentage of covered payroll	4.53 %	4.95 %	5.15 %	4.96 %

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

Notes to Schedules - OPEB

Los Angeles City Employees' Retirement System (LACERS)

Valuation Date	June 30, 2020
Actuarial Cost Method	Entry age actuarial cost method
Amortization Method	Level percent of payroll
Investment Rate of Return	7.00%
Inflation	2.75 %
Projected Salary Increases	Ranges from 4.25% to 9.95% based on years of service

Compliance Section

2021 Annual Financial Report
Los Angeles International Airport

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

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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

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

Report on Compliance for the Passenger Facility Charge Program

We have audited Los Angeles International Airport's (LAX), a department component of Los Angeles World Airports (Department of Airports of the City of Los Angeles, California), an Enterprise Fund of the City of Los Angeles, compliance with the types of compliance requirements described in the *Passenger Facility Charge Program Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (the "Guide"), that could have a direct and material effect on its Passenger Facility Charge ("PFC") program for the year ended June 30, 2021.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on PFC Program

In our opinion, LAX 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, 2021.

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

(continued)

Report on Internal Control Over Compliance

Management of LAX 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 LAX's internal control over compliance with the types of requirements that could have a direct and material effect on the PFC program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of LAX's internal control over compliance.

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

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

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

Report on the Schedule of Passenger Facility Charge Revenues and Expenditures

We have audited the financial statements of LAX, as of and for the year ended June 30, 2021, and the related notes to the financial statements which collectively comprise LAX's basic financial statements. We have issued our report thereon dated November 8, 2021, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of passenger facility charge revenues and expenditures is presented for purposes of additional analysis as required by the Guide and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of passenger facility charge revenues and expenditures is fairly stated in all material respects in relation to the basic financial statements as a whole.

Moss Adams LLP

Los Angeles, California
November 8, 2021

Los Angeles World Airports

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

Los Angeles International Airport

Schedule of Passenger Facility Charge Revenues and Expenditures

For the Fiscal Years Ended June 30, 2021 and 2020

(amounts in thousands)

	Passenger facility charge revenue	Interest earned	Total revenues	Expenditures on approved projects	Under (over) expenditures on approved projects
Program to date as of July 1, 2019	$ 2,626,905	$ 220,660	$ 2,847,565	$ 2,468,828	$ 378,737
Fiscal year 2019-20 transactions					
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)
Program to date as of June 30, 2020	2,744,928	228,129	2,973,057	2,630,595	342,462
Fiscal year 2020-21 transactions					
Quarter ended September 30, 2020	5,921	1,525	7,446	28,573	(21,127)
Quarter ended December 31, 2020	17,680	1,062	18,742	21,481	(2,739)
Quarter ended March 31, 2021	7,858	1,185	9,043	18,377	(9,334)
Quarter ended June 30, 2021	37,289	802	38,091	110,870	(72,779)
Unexpended passenger facility charge revenues and interest earned June 30, 2021	$ 2,813,676	$ 232,703	$ 3,046,379	$ 2,809,896	$ 236,483

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

Los Angeles World Airports

(Department of Airports of the City of Los Angeles)

Los Angeles International Airport

Notes to the Schedule of Passenger Facility Charge Revenues and Expenditures
For the Fiscal Years Ended June 30, 2021 and 2020

1. General

The Aviation Safety and Capacity Expansion Act of 1990 (Public Law 101-508, Title II, Subtitle B) authorized the imposition of Passenger Facility Charges (PFCs) and use of the resulting revenue on Federal Aviation Administration (FAA) approved projects. The current PFC rate is $4.50 per enplaned passenger. PFCs collection authorities approved by FAA were $6.0 billion as of June 30, 2021 and 2020.

The details are as follows (amounts in thousands):

Application number	Charge effective date*	2021 Amount approved for use	2020 Amount approved for use
96-02-U-00-LAX, closed 6/2/03	6/1/1993	$ 116,371	$ 116,371
96-03-C-00-LAX, closed 10/1/08	7/1/1993	50,223	50,223
97-04-C-02-LAX	2/1/1998	90,000	90,000
97-04-C-03-LAX	2/1/1998	700,000	700,000
97-04-C-04-LAX	2/1/1998	88,334	88,334
05-05-C-00-LAX	12/1/2005	229,750	229,750
05-05-C-01-LAX	12/1/2005	468,030	468,030
07-06-C-00-LAX	10/1/2009	85,000	85,000
10-07-C-01-LAX	6/1/2012	1,848,284	1,848,284
11-08-C-00-LAX	3/1/2019	27,801	27,801
13-09-C-00-LAX	6/1/2019	44,379	44,379
14-10-C-00-LAX	10/1/2019	516,091	516,091
15-11-U-00-LAX	3/1/2019	3,115	3,115
20-12-C-00-LAX	1/1/2029	1,771,936	1,765,397
Total		$ 6,039,314	$ 6,032,775

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

Note:

a. 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.

b. 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.

c. In March 2020, FAA approved application number 20-12-C-00-LAX for a total amount of $1.8 billion for the Bradley West Gates (formerly known as Midfield Satellite Concourse) - Phase 1, Inglewood High School Soundproofing Program, and PFC consulting fees.

d. In April 2021, FAA approved LAWA's amendment request that increased application number 20-12-C-01-LAX by $6.5 million for the Inglewood High School Soundproofing Program.

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 2021	Expenditures to date June 30 2020
ONT Terminal Development Program	$ 116,371	$ 116,371	$ 116,371
Taxiway C Easterly Extension, Phase II	13,440	13,440	13,440
Remote Aircraft Boarding Gates	9,355	9,355	9,355
Interline Baggage Remodel - TBIT	2,004	2,004	2,004
Southside Taxiways Extension S & Q	9,350	9,350	9,350
TBIT Improvements	4,455	4,455	4,455
ONT Airport Drive West End	3,462	3,462	3,462
ONT Access Control Monitoring System	808	808	808
ONT Taxiway North Westerly Extension	7,349	7,349	7,349
Noise Mitigation - Land Acquisitions	575,000	562,849	562,849
Noise Mitigation - Soundproofing	125,000	125,000	125,000
Noise Mitigation - Other Local Jurisdictions	178,334	178,335	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	364,738	456,873
Implementation of IT Security Master Plan	56,573	32,807	32,807
Residential Soundproofing Phase II	35,000	34,141	34,141
Noise Mitigation - Other Local Jurisdictions Phase II	50,000	50,000	51,086
Bradley West	1,848,284	724,513	571,258
Lennox Schools Soundproofing Program	27,801	23,946	21,214
Inglewood USD Soundproofing Program	44,379	40,000	26,700
Terminal 6 Improvements	210,131	100,609	88,222
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	245
Inglewood High School Soundproofing Program	21,686	—	—
Total	$ 6,039,314	$ 2,809,896	$ 2,630,595

Notes to the Schedule of Passenger Facility Charge Revenues and Expenditures
For the Fiscal Years Ended June 30, 2021 and 2020
(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.

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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

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

Report on Compliance for the Customer Facility Charge Program

We have audited Los Angeles International Airport's (LAX), a department component of Los Angeles World Airports (Department of Airports of the City of Los Angeles, California), an Enterprise Fund of the City of Los Angeles, compliance with the types of compliance requirements described in the *California Civil Code Section 1939, as amended by Assembly Bill (AB) 2051* (the "Code"), that could have a direct and material effect on its Customer Facility Charge ("CFC") program for the year ended June 30, 2021.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on CFC Program

In our opinion, LAX 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, 2021.

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

(continued)

Report on Internal Control Over Compliance

Management of LAX 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 LAX's internal control over compliance with the types of requirements that could have a direct and material effect on the CFC program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Code, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of LAX's internal control over compliance.

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

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

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

Report on the Schedule of Customer Facility Charge Revenues and Expenditures

We have audited the financial statements of LAX, as of and for the year ended June 30, 2021, and the related notes to the financial statements which collectively comprise LAX's basic financial statements. We have issued our report thereon dated November 8, 2021, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of customer facility charge revenues and expenditures is presented for purposes of additional analysis as required by the Code and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of customer facility charge revenues and expenditures is fairly stated in all material respects in relation to the basic financial statements as a whole.

Moss Adams LLP

Los Angeles, California
November 8, 2021

Los Angeles World Airports

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

Los Angeles International Airport

Schedule of Customer Facility Charge Revenues and Expenditures

For the Fiscal Years Ended June 30, 2021 and 2020

(amounts in thousands)

	Customer facility charge revenue	Interest earned	Total revenues	Expenditures on approved projects	Under (over) expenditures on approved projects
Program to date as of as of July 1, 2019	$ 402,676	$ 27,689	$ 430,365	$ 3,026	$ 427,339
Fiscal year 2019-20 transactions					
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)
Program to date as of as of June 30, 2020	468,297	36,639	504,936	83,683	421,253
Fiscal year 2020-21 transactions					
Quarter ended September 30, 2020	7,329	1,950	9,279	77,747	(68,468)
Quarter ended December 31, 2020	7,332	1,033	8,365	94,597	(86,232)
Quarter ended March 31, 2021	4,830	480	5,310	92,219	(86,909)
Quarter ended June 30, 2021	13,115	173	13,288	99,954	(86,666)
Unexpended customer facility charge revenues and interest earned June 30, 2021	$ 500,903	$ 40,275	$ 541,178	$ 448,200	$ 92,978

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

Los Angeles World Airports

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

Los Angeles International Airport

Notes to the Schedule of Customer Facility Charge Revenues and Expenditures
For the Fiscal Years Ended June 30, 2021 and 2020

1. General

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

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

The LAMP program includes the following major project components:

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

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

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

	2021	2020
Amount collected	$ 500,903	$ 468,297
Interest earnings	40,275	36,639
Subtotal	541,178	504,936
Expenditures		
ConRAC planning, design and construction	448,200	83,683
Unexpended CFCs revenue and interest earnings	$ 92,978	$ 421,253

LAX is in the stages of delivering LAMP to modernize and improve landside access at LAX with the ConRAC as a critical component. Pursuant to Board Resolution No. 26684 that was adopted on January 17, 2019, LAWA has authority to use up to $2.1 billion for the payment/reimbursement of Design-Build-Finance- Operate-Maintain (DBFOM) Agreement with LA Gateway Partners for the ConRAC from sources of revenue including but not limited to CFCs, LAX non-aeronautical revenues, special facility bond proceeds, and revenues derived from concession and lease agreements between LAWA and rental car companies using the ConRAC. In this regard, the amount of CFC funds that was used for ConRAC Design and Construction (D&C) payments was $364.5 million and $80.7 million in fiscal years 2021 and 2020, respectively. LAX's cumulative expenditures on approved CFCs projects totaled $448.2 million and $83.7 million for fiscal years 2021 and 2020, respectively.

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

The accompanying Schedule of Customer Facility Charge Revenues and Expenditures was prepared using the accrual basis of accounting.

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