

Triannual Customer Facility Charge Report at Los Angeles International Airport

May 10, 2022

Prepared for

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

Prepared by

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TRIENNIAL CUSTOMER FACILITY CHARGE REPORT
Consolidated Rent-A-Car Facility and Common Transportation System
Los Angeles International Airport

1. INTRODUCTION

WJ Advisors LLC prepared this Triennial Customer Facility Charge Report (the 2022 CFC Report) to fulfill the requirements of California Government Code Section 50474.3 (b)(4)(B)(iii), that requires the Department of Airports of the City of Los Angeles (the Department) to conduct an audit of airport finances including customer facility charge (CFC) information at Los Angeles International Airport (the Airport). The CFC supports the development of two significant projects at the Airport: a new consolidated rent-a-car facility (the ConRAC) and new Automated People Mover (the APM), a portion of which is referred to and serves as the common-use transportation system (the APM/CTS¹). The APM/CTS will serve the Central Terminal Area (the CTA) and new ConRAC at the Airport.

In this 2022 CFC Report, the word “audit” is used to be consistent with the description of the work to be performed under the requirements of California Government Code Section 50474.3 (b)(4)(B)(iii), but the use of the word “audit” in this 2022 CFC Report does not have the same meaning as it does in accordance with American Institute of Certified Public Accountants (AICPA) standards.

On August 21, 2017, WJ Advisors LLC prepared the report titled “Report to Collect an Alternative Customer Facility Charge at Los Angeles International Airport” (the 2017 CFC Report) to change the CFC rate from \$10 per rental car contract transaction (the Transaction) to an alternative CFC rate of \$7.50 per rental car contract transaction day for not more than five days (the Transaction Days) to fund CFC-eligible costs associated with the ConRAC and the APM/CTS.

On May 14, 2019, WJ Advisors LLC prepared the report titled “Report to Increase the Alternative Customer Facility Charge at Los Angeles International Airport” (the 2019 CFC report) to increase the alternative CFC rate from \$7.50 to \$9.00 per Transaction Day effective September 1, 2019. The ConRAC is currently expected to be ready and available for its intended use on or around July 1, 2023, and is referred to in this report as the ConRAC date of beneficial occupancy (the ConRAC DBO). The APM/CTS is currently expected to be ready and available for its intended use by January 1, 2024, which for purposes of this 2022 CFC Report, is referred to as the APM/CTS date of beneficial occupancy (the APM/CTS DBO).

With respect to the ConRAC and APM/CTS projects, the following has occurred since the date of the 2019 CFC Report:

- The Department increased the alternative CFC rate from \$7.50 to \$9.00 per Transaction Day effective September 1, 2019.

¹ In this 2022 CFC Report, the following terms are used: APM is for the entire system; APM/CTS is that portion of the system that is estimated to be used by rental car customers, and CTS includes both the APM/CTS and common shuttle buses (if needed).

- The number of Transaction Days declined by (3.0%) from Fiscal Year² (FY) 2018 to FY 2019. As a result of the worldwide outbreak of novel coronavirus SARS-CoV-2 (COVID-19), Transaction Days declined by (28.5%) in FY 2020 and declined by (52.8%) in FY 2021. The Department has updated its projections of Transaction Days.
- The Department issued various series of Airport Revenue Bonds, certain proceeds of which have been or will be used to fund costs associated with the APM. The Department expects to issue one additional future series of Airport Revenue Bonds in 2023 to fund costs associated with the APM.
- In March 2022, the Department issued Series 2022A Customer Facility Charge Revenue Bonds to fund cost associated with the ConRAC. The Department does not expect to issue any additional CFC Revenue Bonds to fund the ConRAC. Largely as a result of the impacts of COVID-19, the Department increased the amount of CFC Revenue Bond proceeds to pay ConRAC project costs relative to the estimated amount in the 2019 CFC Report (as CFC revenue declined).
- In the 2017 CFC Report, certain assumptions were made about the total amount of Concessionaire CTS Contributions less the total amount of CTS Contribution Scheduled Abatement and CTS Contribution Additional Abatement. While the CTS Contribution Scheduled Abatement is a fixed amount pursuant to the CLA, the CTS Contribution Additional Abatement is not and is based on year-to-year changes in the amount of remaining CFC revenues, if any, after paying annual ConRAC Capital Costs and Allocable APM/CTS Costs. In the 2019 CFC Report, to reduce the variability of forecasted CFC revenue and CFC interest income, the amount presented for Net Concessionaire CTS Contributions was assumed to be equal to the same amount forecasted in the 2017 CFC Report. In this 2022 CFC Report, the amount presented for Net Concessionaire CTS Contributions has been updated (it has increased significantly from the amount in the 2019 CFC Report primarily because of COVID-19 impacts on airline traffic and rental car activity).
- Because the ConRAC DBO is currently expected to be earlier than the APM/CTS DBO, the Department currently expects that a shuttle bus system will be used to transport passengers, employees, rental car customers, and other users of the Airport between the CTA and other Airport facilities, including the ConRAC, and new public parking facilities until APM/CTS DBO. As discussed later in this 2022 CFC Report, the Department currently expects to use CFC revenues to pay for the operation of the shuttle bus system.

In FY 2019, the Department executed a new concession lease and agreement (CLA) with each of the on-Airport rental car companies (Concessionaires) to occupy and use the ConRAC when ConRAC DBO is achieved. The business arrangements for the development of the ConRAC and APM/CTS, including the collection and use of alternative CFC revenues at the Airport to pay the costs of both projects, is contained in the CLA. Other business arrangements in the CLA include,

² The Fiscal Year of the Department ends June 30.

but are not limited to, the use and occupancy of the ConRAC and the use of the APM/CTS, all of which are more fully described in Section 1.3 of this 2022 CFC Report.

Unless otherwise stated herein, defined terms in this 2022 CFC Report are pursuant to the CLA, the Airport's Master Senior Revenue Bond Indenture (the Revenue Bond Indenture), or the Airport's CFC Revenue Bond Trust Indenture (the CFC Bond Indenture).

Revenues from the current \$9.00 CFC rate, along with CFC interest income, and Concessionaire CTS Contributions pursuant to the CLA are being used and will be used to pay for, among other things, the following: (a) the cost of designing, constructing, and financing the ConRAC (the ConRAC Capital Costs) and (b) up to 41.0% of the cost of designing, constructing, and financing the APM/CTS (APM/CTS Capital Costs) and 41.0% of the cost of operating the APM/CTS (APM/CTS Operating Costs). The sum of APM/CTS Capital Costs and APM/CTS Operating Costs are allocable to the ConRAC and are referred to in this 2022 CFC Report as "Allocable APM/CTS Costs".

In this 2022 CFC Report, Agreement Year, which is defined in the CLA as the 12-month period following ConRAC DBO is the same as the Department's fiscal year (FY) ending June 30 (as the ConRAC DBO is currently expected by the Department to be on or about July 1, 2023).

The ConRAC will:

- Address the future facility needs of rental car companies operating at the Airport.
- Improve operating efficiencies and modernize vehicle processing for Concessionaires.
- Enhance the Airport passenger experience.
- Reduce vehicle miles traveled and emissions by both rental automobiles and shuttle buses traveling between the CTA and individual rental car company locations.
- Mitigate vehicle congestion and traffic in the CTA and areas surrounding the Airport.

From 2014 through 2018, the Department met with the rental car companies that serve the Airport to discuss, among other things:

- The planning, facility requirements, and preliminary design of the ConRAC.
- The operation of the APM/CTS.
- The use of a DBFOM entity for the delivery of the ConRAC project and a separate DBFOM entity to deliver the APM project.
- The plan to fund ConRAC Capital Costs and Allocable APM/CTS Costs.
- Due to insufficiency of revenues, the need to change the existing \$10 CFC per rental car transaction to an alternative CFC rate per Transaction Day, including the increase to \$7.50 per Transaction Day and the subsequent increase to \$9.00 per Transaction Day.
- The use of CFC revenues to pay the forecasted ConRAC Capital Costs and Allocable APM/CTS Costs.

- The contribution by rental car companies in defined annual amounts to pay a portion of the Allocable APM/CTS Costs.
- Business arrangements between the Department and rental car companies to occupy, use, and to pay certain costs associated with the ConRAC.
- Drafts of and comments from the participating on-Airport rental car companies on the CLA.

The financial forecasts presented in this 2022 CFC Report are based on information and assumptions provided by, or reviewed with and agreed to by, Department management. The forecasts reflect management's expected course of action and, in management's judgment, present fairly the expected use of CFC revenues. This 2022 CFC Report should be read in its entirety for an understanding of the forecasts and the underlying assumptions.

However, any forecast is subject to uncertainties. Inevitably, some assumptions will not be realized, and unanticipated events and circumstances may occur. Therefore, there will be differences between the forecast and actual results, and those differences could be material.

1.2 Consolidated Rent-A-Car Facility and APM/CTS Background

The Department is implementing certain landside improvements to continue to transform the Airport into a world class facility by relieving traffic congestion in the CTA and on the surrounding streets, and to improve access options and the travel experience for Airport passengers. The ConRAC project and APM project are important elements of these landside improvements.

1.2.1 Consolidated Rent-A-Car Facility. The ConRAC will provide a centralized location adjacent to Interstate 405 with connections to the APM and the nearby freeways for rental car companies serving the Airport. The project will improve the rental car customer experience and the day-to-day operations of the rental car companies, as well as improve traffic flow in the CTA by replacing all rental car company specific shuttle buses using the CTA with a new common transportation system, which will substantially reduce traffic congestion and emissions in the CTA and surrounding roads. Rental car company specific facilities can be found in over 20 locations northeast of the Airport.

The ConRAC will benefit Airport passengers and the car rental experience through:

- **Improved Passenger Experience.** The ConRAC will provide enhanced customer experience and safety with an easy-to-find consolidated location conveniently linked to the CTA by the APM/CTS.
- **Improved Traffic Flow.** The ConRAC is expected to eliminate more than 3,200 daily rental car shuttle trips on city streets and CTA roadways. In addition, because the ConRAC will consolidate the main operations of each company onto one site, the number of vehicle miles required to process return vehicles to be fueled and washed or sent to storage will be greatly reduced.
- **Freed-up CTA Curb Space.** The ConRAC and APM/CTS will reduce CTA roadway and curb side congestion.

- **Increased Operational Efficiencies.** Rental car companies within the same brand family will be able to reduce costs by sharing space, resources, and transportation, and accommodate all operations and forecast growth within the same secure area. Operational efficiency will improve as all areas will now be in one location.
- **Better Land Use.** The acreage of the ConRAC is almost 50% less compared to the estimated site inventory of 145 acres currently utilized by the rental car companies in the areas surrounding the Airport.

The ConRAC will include ready/return parking spaces for rental cars, a quick turnaround area (QTA) building that would include areas for vehicle queuing, fueling, wash bays, and light maintenance, and a customer service building (CSB) that will include customer service counters, office space, restrooms, and retail areas. Additionally, the ConRAC would include overflow rental car vehicle space to meet peak demands, rental car employee parking spaces, and QTA areas.

1.2.2 Automated People Mover. The APM will provide fast, convenient, and reliable access to the CTA for passengers, employees, rental car customers, and other users of the Airport, 24 hours a day. The APM will be above grade and will connect to the passenger terminal buildings in the CTA. The APM will transport passengers between the CTA and other Airport facilities, including the ConRAC, new public parking facilities, and multiple locations for passenger pick up and drop off.

There would be three stations within the CTA that will be served by the APM: (a) a West Station located between Terminals 3 and 4, east of the Tom Bradley International Terminal, (b) a North Center Station located between Terminals 2 and 6, north of the existing Airport Traffic Control Tower and Center Way, and (c) an East Station located between Terminals 1 and 7.

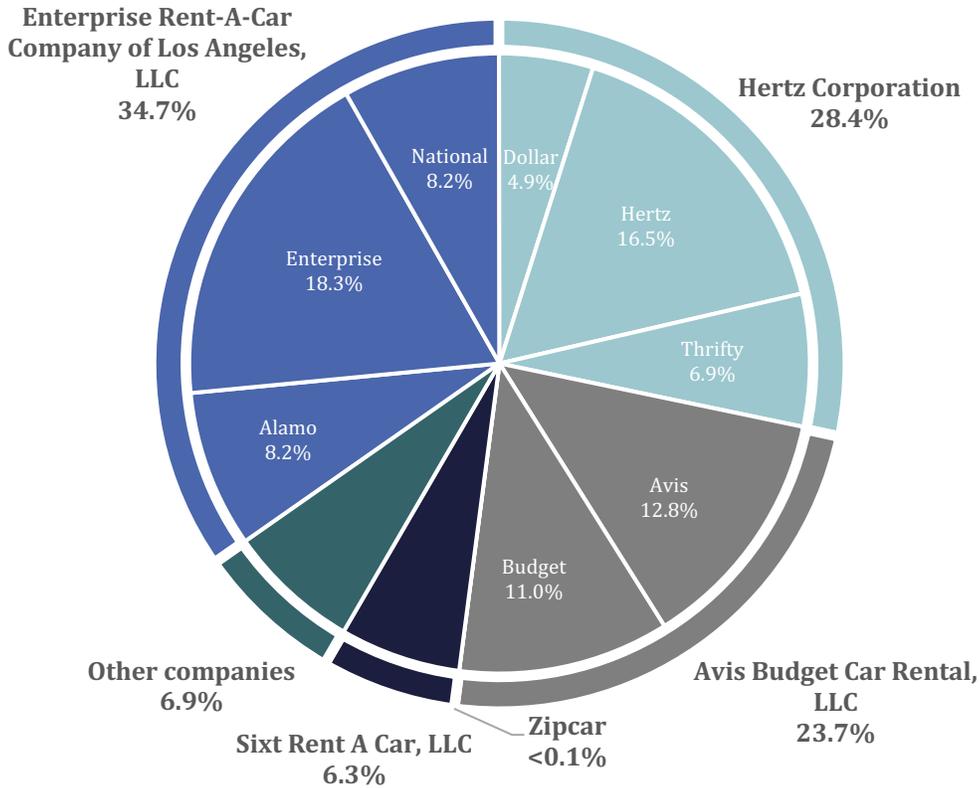
Three additional stations outside of the CTA will also be served by the APM: (a) a West Intermodal Transportation Facility Station, (b) the East Intermodal Transportation Facility station (located at 96th Street/Aviation Boulevard) that would connect riders to the Los Angeles County Metropolitan Transportation Authority's light rail line (Crenshaw/LAX Transit Project), and (c) a ConRAC station.

1.3 Business Arrangements in CLA

The Department executed a CLA with the following Concessionaires: Enterprise Rent-A-Car Company of Los Angeles, LLC (brands: Alamo, Enterprise, and National), Avis Budget Car Rental, LLC (brands: Avis, Budget, Zip Car, and Payless), The Hertz Corporation (brands: Hertz, Dollar, and Thrifty), Fox Rent A Car (brand: Fox), Fox Rent A Car (brand: Europcar Mobility Group), and Sixt Rent a Car, LLC (brand: Sixt). Figure 1 shows the gross revenue market share of the Concessionaires for FY 2021.

The CLA includes provisions for the delivery of a ConRAC by the Department based on certain defined requirements and parameters contained in the CLA, and an initial term that expires on the 20-year anniversary of the ConRAC DBO, with one option to extend the CLA for five years by the Department through written notice, or automatically if certain Transaction Day targets are achieved pursuant to the CLA.

Figure 1
CONCESSIONAIRE MARKET SHARE OF GROSS REVENUE FY 2021
 Los Angeles International Airport



Note: Totals may not add to the amounts shown due to rounding.

Source: Department records.

Starting at ConRAC DBO, the CLA also includes the following provisions, among others:

- The reallocation of certain ConRAC facilities to the Concessionaires at defined intervals to reflect changes in Concessionaire gross revenue market share.
- The payment by the Concessionaires to the Department of the greater of a minimum annual guarantee or a 10% concession fee of Concessionaire gross revenues.
- The payment of ground rent by Concessionaires to the Department.
- An annual Concessionaire CTS Contribution equal to the Maximum CTS Contribution less CTS Contribution Scheduled Abatements and CTS Contribution Additional Abatements (Net Concessionaire CTS Contributions) by the Concessionaires to the Department to pay a portion of annual Allocable APM/CTS Costs. Annual Allocable APM/CTS Costs not paid by Net Concessionaire CTS Contributions would be paid from alternative CFC revenues.

- As stated earlier, the designation of 41.0% of annual APM/CTS Capital Costs and Operating Costs as allocable to the ConRAC and to be paid from CFC revenues and/or Net Concessionaire CTS Contributions.

For companies that did not sign the CLA, the Department will (a) require the customers of those off-Airport companies to pick up and drop off their customers at the ConRAC to use the APM/CTS and (b) pay a transportation fee to the Department, which would be established to cover their customers' prorated use of Allocable APM/CTS Costs. Transportation fee revenue from off-Airport companies would be used to pay annual Allocable APM/CTS Costs.

The forecasted revenues presented in this 2022 CFC Report do not include forecasted transportation fee revenues from off-Airport rental car companies because the level of the CFC that would be charged to these companies and the amount of rental car customers of these companies using the APM/CTS is not known as of the date of this 2022 CFC Report.

1.4 California Civil Code Section 1939, Assembly Bill 2051, and Assembly Bill 2280 Overview

California Civil Code 1939, as amended by Assembly Bill (AB) 2051 and AB 2280 (CFC Legislation), permits an airport sponsor to require rental car companies to collect from a renter a CFC to:

- Finance, design and construct a consolidated airport rental car facility.
- Finance, design, construct, and operate common-use transportation systems that move passengers between airport terminals and those consolidated car rental facilities, and to acquire vehicles for use in that system.
- Finance, design, and construct terminal modifications solely to accommodate and provide customer access to common-use transportation systems.

AB 2280, which specifically applies to the Airport, states that the authorization under AB 2280 will become inoperative when bonds, capital contributions, availability payment contracts, lease agreements, or other forms of financing are paid or reimbursed. In addition, the maximum term for financing costs under AB 2280 shall not exceed 35 years.

The Department is using an availability payment contract to finance, design and construct the ConRAC and a different availability payment contract to finance, design, construct, and operate the APM, including the acquisition of vehicles for use on the APM. The availability payment contracts are between the Department and the ConRAC Developer and a separate contract between the Department and the APM Developer for the APM project.

1.5 California Civil Code Section 50474.3 Requiring Triannual CFC Audit

California Civil Code Section 50474.3 (b)(4)(iii) requires airports complete a CFC audit every three years if the CFC is collected for the purpose of operating a common-use transportation system or to acquire vehicles for use in the system:

- (iii) An audit shall be completed every three years after initial collection if the customer facility charge is collected for the purpose of operating a common-use transportation system or to acquire vehicles for use in the system pursuant to paragraph (2) of

subdivision (a) of Section 50474.21. A regularly conducted audit of airport finances that includes the customer facility charge information, that satisfies the requirements of subdivision (b) of Section 50474.21, and is produced in accordance with the generally accepted accounting principles of the Government Accounting Standards Board, shall satisfy the requirements of this clause. The information reported pursuant to this clause shall be compiled into one document and shall be posted on the airport's internet website accessible to the public. The information reported shall be contained within one easily accessible page contained within the airport's internet website.

Subdivision (b) of Section 50474.21 requires that the following information be provided in the audit:

1. The amount of CFC revenue does not exceed the reasonable costs.
2. The necessity for, and the amount of CFC revenue.
3. The steps the airport operator has taken to limit costs.
4. Other potential alternatives for meeting the airport operator's revenue needs other than the collection of the fee.
5. The extent to which rental car companies or other businesses or individuals using the facility or CTS will pay for the costs associated with these facilities and systems apart from the fee collected from customers.

1.6 Department's Compliance with Required Triannual Audit

The Department's compliance with each of the items listed directly above pursuant to the CFC audit is as follows:

1.6.1 CFC Revenue Amount Equal to Costs. The Department has established the estimated amount of total revenue to pay CFC-eligible costs related to the new ConRAC, including the cost of rental car planning work, and the new APM/CTS. As shown on Exhibit 1 of this 2022 CFC Report, total CFC-eligible ConRAC Capital Costs, and Allocable APM/CTS Costs are equal to approximately \$5.1 billion³, which include:

- The payment of ConRAC project costs, which reduces the total amount of ConRAC project costs to be funded from other unrestricted Airport revenues.
- The payment of rental car facility planning expenses.
- The funding of certain debt service reserves.
- The payment of all estimated ConRAC Capital Costs.
- The payment of temporary ConRAC shuttle bus costs.
- The payment of all annual Allocable APM/CTS Costs.

³ In this 2022 CFC Report, cumulative dollars are shown, not discounted cash flows. Future dollars shown.

The sources of revenue to pay the costs described immediately above include (a) CFC revenues, (b) CFC interest income, (c) the CTS Contribution Scheduled Abatement account balance, (d) Net Concessionaire CTS Contributions, and (e) certain debt service reserve and debt service coverage amounts used to make final debt service payments.

The required amount of additional CFC revenue and CFC interest income to pay CFC-eligible costs for the ConRAC and the APM/CTS were determined by calculating total CFC-eligible costs and subtracting that amount from the sources of revenue and funds listed below, including actual CFC revenues collected by the Department through June 30, 2021. See Exhibit 1 for additional information.

| | | Amounts (in millions) |
|---|--------------------------|--------------------------|
| Total CFC-eligible ConRAC Capital Costs and Allocable APM/CTS Costs (a) | [A] | \$5,123.2 |
| Less: | | |
| 1. Actual CFC revenues through June 30, 2021 (b) | [B] | (541.2) |
| 2. CTS Contribution Scheduled Abatement (c) | [C] | (115.0) |
| 3. Net Concessionaire CTS Contributions (d) | [D] | (1,469.8) |
| 4. Initial CTS Payment Account balance funded from Series 2022A Bond proceeds (e) | [E] | (25.0) |
| 5. Debt service reserve fund from Series 2022A CFC Revenue Bonds (f) | [F] | (40.7) |
| 6. Coverage account from Department Series 2022A CFC Revenue Bonds (f) | | (10.2) |
| 7. Debt service reserve fund from Airport Revenue Bonds allocable to APM/CTS (g) | [G] | (36.4) |
| 8. Series 2022A CFC Revenue Bond proceeds used to pay capitalized interest | [H] | (28.3) |
| Equals: Net remaining CFC-eligible costs to be paid from forecasted CFC revenues and CFC interest income | [A-B-C-D-E-F-G-H] | \$2,856.6 |

- (a) See Exhibit 1.
- (b) Includes CFC interest income.
- (c) Reflects the use of amounts in the CTS Contribution Scheduled Abatement account.
- (d) For purposes of this analysis, includes CTS Contribution Additional Abatement that goes to the Department.
- (e) This \$25.0 million, along another \$25.0 million to be funded from CFC revenue constitutes the \$50.0 million Initial CTS Payment Account balance.
- (f) Money that would be used in the last year of Department ConRAC Bonds maturity to pay debt service on such bonds.
- (g) Money that would be used in the last year of Airport Revenue Bonds maturity to pay debt service on such bonds issued to pay Allocable APM/CTS Costs.

As shown above, the total amount of forecasted CFC revenue and CFC interest income required to pay net remaining CFC-eligible costs associated with the ConRAC and the APM/CTS is approximately \$2.9 billion.

To determine the number of years (the Forecast Period) required to reach the \$2.9 billion in forecasted CFC revenue and CFC interest income, a range of annual rates of growth for Transactions and Transaction Days were prepared as a result of (a) the long-term nature of the Forecast Period and the number of economic, competitive and other factors that could change during the Forecast Period, (b) recent fluctuations in the number of Transactions and Transaction Days at the Airport due to, among other things, increasing vehicular traffic in the CTA (the primary pick-up and drop off location for rental car shuttle buses) prior to APM/CTS DBO and increasing competition from alternative ground transportation providers at the Airport, including transportation network companies (the TNC) (e.g., Uber, Lyft), and (c) changes in the number of arriving passengers that rent cars or use other forms of ground transportation at the Airport.

Since July 1, 2007, on-Airport rental car companies have been reporting *Transactions* to the Department, but it has only been since March 1, 2015 that the on-Airport rental car companies have been reporting *Transaction Days* to the Department. As such, the discussion immediately below focuses on historical trends in Transactions to understand why a range of growth rates in Transactions, Transaction Days, and CFC revenues was used in this 2022 CFC Report.

For the 10-year period FY 2009 through FY 2019, Transactions increased at an average annual rate of growth of 3.4% per year, while deplaned destination passengers at the Airport increased approximately 4.8% per year during the same period of time. For the most recent 5-year period (FY 2016 through FY 2021, incorporating the impacts of COVID-19), Transactions decreased at an average annual rate of growth of (19.5%), while deplaned destination passengers at the Airport decreased approximately (16.6%) per year during the same period of time.

Total enplaned passengers at the Airport are forecast to reach FY 2019 levels by FY 2025 as a result of the forecast rate of recovery for domestic enplaned passengers, which are forecast to reach FY 2019 levels by FY 2024, and the forecast rate of recovery for international enplaned passengers, which are forecast to reach FY 2019 levels by FY 2025. After FY 2025, the number of enplaned passengers is assumed to increase at 1.7% per year through the remaining years of the Forecast Period, which rate of growth is equal to the actual 20-year (FY 1999 – FY 2019) average annual rate of growth in domestic and international passenger traffic at the Airport that includes the following economic and other major events:

- The events of September 11, 2001.
- The recession and financial crisis in 2008-2009.
- Economic growth prior to and after 2001 and 2008-2009.

Deplaned destination passengers are forecast as a function of the share of deplaned passengers to the total number of enplaned passengers at the Airport multiplied by the share of originating passengers at the Airport.

Because the share of deplaned passengers to the total number of enplaned passengers and the share of originating passengers at the Airport are not expected to materially change during the Forecast Period, the forecast rate of growth in deplaned destination passengers is generally equal to the forecast rate of growth for enplaned passengers.

The forecast of rental car Transactions and Transaction Days at the Airport is based on (1) forecasts of deplaned destination passengers at the Airport, as described earlier, (2) the forecast number of Transactions per deplaned destination passenger, and (3) the forecast Transaction Days per Transaction.

It was assumed that rental car operations and service at the Airport will not be constrained by the availability or cost of fuel, long-term limitations in new vehicle production or inventories, or government policies or actions that restrict growth.

Transactions per deplaned destination passenger at the Airport are forecast to reach the number of Transactions per deplaned destination passenger in FY 2019 by FY 2022 as a result of the forecast stabilizing of ground transportation modes (including on-Airport rental cars and TNCs) and the forecast recovery in deplaned destination passengers, as previously described. In FY 2024 (the year of APM System DBO), Transactions per deplaned destination passenger are forecast to increase 5.0% as a result of the improved ease that passengers would have in accessing the ConRAC and renting cars. Thereafter, Transactions per deplaned destination passenger are forecast to be constant.

Transaction Days per Transaction at the Airport are forecast to increase from FY 2021 to the number of Transaction Days per Transaction in FY 2019 by FY 2025 following the recovery of deplaned destination passengers and the reduction of travel disruptions caused by the COVID-19 pandemic. Thereafter, Transaction Days per Transaction are forecast to be constant during the remainder of the Forecast Period.

The assumed range of Transaction growth rates below (1) start after the recovery of Transactions to the number of Transactions in FY 2019 and (2) are based the actual average annual rate of growth in Transactions from FY 2009 through FY 2019.

To determine the average annual rates of growth for a low-, mid-, and high-range, certain assumptions were made regarding the percentage of the actual 10-year average annual rate of growth in Transactions that would be realized starting in FY 2025, as follows:

| | Actual average annual rate of growth in Transactions for 10-years (FY 2009-FY 2019) | Assumed percentage | Calculated average annual rate of growth for FY 2025-on |
|------------|--|-----------------------|---|
| Low-range | 3.4% | 20% | 0.7% |
| Mid-range | 3.4% | 40% | 1.4% |
| High-range | 3.4% | 60% | 2.0% |

In this 2022 CFC Report, the results from the mid-range forecast rate of growth (the Mid-Range Forecast) is referenced in the remaining sections of this 2022 CFC Report, including the total CFC revenue and CFC interest income to pay CFC-eligible costs for the ConRAC and APM/CTS and the last year of the Forecast Period.

The total amount of CFC revenue and CFC interest income to pay the net remaining total CFC-eligible costs of \$2.9 billion assumes that the CFC rate of \$9.00 per Transaction Day stays

constant through the end of CFC collections. The estimated last month and year to collect CFC revenue and earn CFC interest income to pay remaining CFC-eligible costs for each range is shown below.

| | Calculated average annual rate of growth for FY 2025-on | Last month and year to collect/use CFC revenues and CFC interest income |
|------------------|---|---|
| Low range | 0.7% | December 2047 |
| Mid-range | 1.4% | June 2046 |
| High-range | 2.0% | March 2045 |

The financial exhibits included at the end of this 2022 CFC Report show CFC-eligible costs through 2049 and the Forecast Period used to collect CFC revenues and earn CFC interest income through June 2046, as described immediately above. The difference between these two periods of time (2049 versus June 2046) is the length of time it will take the Department to collect CFC revenues and earn CFC interest income to pay CFC-eligible costs incurred through 2049. Because the period of time to collect CFC revenues and earn CFC interest income is shorter than the period of time to pay CFC-eligible costs, it is likely that the Department would have to set aside CFC revenues and interest income after June 2046 in order to pay CFC-eligible costs after June 2046.

1.6.3 CFC Revenue To Date is Insufficient.

Through June 30, 2021, the Department collected approximately \$541.2 million of revenue (including CFC interest income) from the prior CFC of \$10 per Transaction, the prior CFC of \$7.50 per Transaction Day, and the current CFC of \$9.00 per Transaction Day, and has used approximately \$448.2 million of that revenue for rental car related costs⁴. As of July 1, 2021, approximately \$93.0 million in CFC revenue was available to pay ConRAC Capital Costs and Allocable APM/CTS Costs.

As shown on Exhibit 1 of this 2022 CFC Report, total CFC-eligible ConRAC Capital Costs, and Allocable APM/CTS Costs are equal to approximately \$5.1 billion. CFC revenue to date is clearly insufficient.

The forecast of revenues from the existing \$9.00 CFC per Transaction Day is equal to the \$9.00 CFC per Transaction Day multiplied by the average Transaction Days per Transaction multiplied by forecasted Transactions under the Mid-Range Forecast from July 1, 2021 through June 2046. June 2046 is the date when all CFC-eligible costs would be paid from forecasted CFC revenues at the \$9.00 CFC per Transaction Day and CFC interest income, as shown above.

CFC revenues are forecasted to be approximately \$2.9 billion (including interest income) from July 1, 2021 through June 2046. The \$93.0 million of CFC revenues available as of July 1, 2021

⁴ Source: Annual Comprehensive Financial Report, Los Angeles International Airport, for Fiscal Years Ended June 30, 2021 and 2020.

(as discussed above) plus the approximately \$2.9 billion of forecast CFC revenues and interest income results in total CFC revenues of approximately \$3.0 billion.

1.6.4 Steps taken to Limit Costs. The Department undertook an extensive process to identify and select the ConRAC design, which, early in the planning of the ConRAC included the development and analysis of numerous concept alternatives and included a competitive process to select the ConRAC Developer. The scoring criteria used to select the ConRAC Developer and the APM Developer included cost and financial components to ensure that the ConRAC would be cost effective. The active input of the rental car companies prior to the selection of the ConRAC Developer, and consideration of their needs throughout the design process, will reduce any future change orders, and as such, any cost increases from such change orders.

The Department has created project cost certainty for the ConRAC project and the APM project by using competitively selected and separate DBFOM availability payment contracts with competitively selected DBFOM entities for each project. According to the Department, use of a DBFOM approach will have the following benefits for the ConRAC and APM projects:

- **Eliminating changes in project costs with a fixed price contract.** A fixed price contract has resulted in lower financing costs compared to a traditional delivery method by eliminating change orders. This approach also means fixed annual DBFOM capital repayment costs (referred to as “DBFOM availability payments”) and a greater certainty in the annual amount of CFC revenues that are needed to pay ConRAC Capital Costs and the Allocable APM/CTS Costs.
- **Scheduling certainty with a certain delivery date for when the ConRAC and then the APM/CTS would be completed.** This approach has multiple benefits, as follows:
 - Scheduling certainty by using a DBFOM approach has resulted in a higher degree of financial cost certainty, as compared to a traditional delivery approach where schedule delays could occur.
 - Rental car companies occupying and using the ConRAC will be able to transition from their existing rental car facilities to the ConRAC with date certainty, which will substantially minimize any operational disruptions and result in cost savings to those companies. This is particularly important given that many of the rental car companies that operate at the Airport have ground leases or own land for their existing operations, so these companies will be able to plan a greater level of certainty when—for example—ground leases have to be terminated.

The Department has also issued both Airport Revenue Bonds to help pay for the APM and CFC Revenue Bonds to help pay for the ConRAC in lower bond interest rate environment over the past few years.

1.6.6 Other Alternatives for Meeting Airport Operator’s Revenue Needs. The Department has made effective use of all potential funding sources for the ConRAC project and the APM project.

- **Consolidated Rent-A-Car Facility.** As described in Section 1.6.7 for the ConRAC project, the rental car companies that occupy and use the ConRAC will pay the Department (a) annual ground rent for use of the ConRAC, (b) an amount to cover all ConRAC operating expenses pursuant to the CLA, and (c) the greater of a minimum annual guarantee or a privilege fee for the right to operate a rental car concession on-Airport. The Department does not believe that it is currently reasonable to require the rental car companies to pay higher rent to pay for the ConRAC. The Department has been very diligent in lowering the cost of the ConRAC while meeting the facility requirements and operational needs of the rental car companies.
- **Automated People Mover.** The Department expects to use the sources of funds listed below to pay for the total cost of the APM project⁵ (including the 41.0% of APM/CTS Capital Costs and APM/CTS Operating Costs allocable to the ConRAC):
 - **New Passenger Facility Charge (PFC).** A new PFC authorization from the Federal Aviation Administration (FAA) to pay PFC-eligible APM costs, which is expected to be submitted by the Department to the FAA prior to ConRAC DBO.
 - **New airline rates and charges.** Another source of revenue to pay for the APM project will come from increases in airline rates and charges.
 - **Other sources of Airport revenue.** The Department expects that revenues from non-airline sources, including public parking and concession revenues would also help pay for APM costs.
 - **Net Concessionaire CTS Contributions.** The rental car companies that occupy and use the ConRAC will make annual Concessionaire CTS Contributions towards the payment of Allocable APM/CTS Costs. The forecasted amount of Net Concessionaire CTS Contributions is shown on Exhibit 1.

1.6.7 Fees other than the fee collected from rental car customers that are paid by rental car companies and other businesses to use the ConRAC and APM/CTS. The fees other than the fee collected from rental car customers that are paid by rental car companies and other businesses to use the ConRAC and the APM/CTS include the following pursuant to the CLA. Of the fees described below, only the projected amount of the annual Net Concessionaire CTS Contribution was included in the projections presented in this 2022 CFC Report, as those fees are related to the use of the APM/CTS by the Concessionaires.

- The payment of the greater of a minimum annual guarantee or a 10% privilege fee by the Concessionaires to the Department.
- The payment of ground rent by Concessionaires to the Department.
- An annual Net Concessionaire CTS Contribution to pay annual Allocable APM/CTS Costs.

⁵ The APM Developer may also construct other Airport improvements. These other improvements, if any, and the cost of building and financing those other improvements are not contemplated in this 2022 CFC Report. Forecast project costs for the APM project and the APM/CTS are for those elements only, and not these other improvements.

- The payment of a transportation fee to the Department for companies that did not sign the CLA. These off-Airport rental car companies would be required to pick up and drop off their customers at the ConRAC to use the APM/CTS and pay a transportation fee that would be established to cover their customers prorated use of the APM/CTS. Transportation fee revenue from off-Airport companies would be used to pay Allocable APM/CTS Costs.

2. Independent Accountant's Report

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

We have examined the accompanying Schedule of Forecasted Revenues and Costs of the Los Angeles International Airport (Airport) Consolidated Rent-A-Car Facility (CONRAC) and Common Transportation System (CTS) for the period from July 1, 2018 through June 30, 2049 (Forecasted Schedule). The Airport's management is responsible for preparing and presenting the Forecasted Schedule in accordance with the guidelines for the presentation of a forecast established by the American Institute of Certified Public Accountants (AICPA). The Forecasted Schedule was prepared for compliance with California Civil Code Section 1939, as amended by Assembly Bill No. 2051, and further amended by Assembly Bill No. 2280 specifically for the Airport, related to Customer Facility Charges and the CONRAC and CTS. Our responsibility is to express an opinion on the Forecasted Schedule based on our examination.

Our examination was conducted in accordance with attestation standards established by the AICPA. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Forecasted Schedule is presented in accordance with the guidelines for the presentation of a forecast established by the AICPA, in all material respects. An examination involves performing procedures to obtain evidence about the Forecasted Schedule. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the Forecasted Schedule, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

In our opinion, the accompanying Forecasted Schedule is presented, in all material respects, in accordance with the guidelines for presentation of a forecast established by the AICPA, and the underlying assumptions are suitably supported and provide a reasonable basis for management's forecast.

Our examination was conducted for the purpose of forming an opinion on the Forecasted Schedule. Section 1, *Introduction*, Attachments, and Exhibits are presented for purposes of additional analysis and are not a required part of the Forecasted Schedule.

The Attachments and Exhibits are the responsibility of management and were derived from and relate directly to the records used to prepare the Forecasted Schedule. Such information has been subjected to the procedures applied in the examination of the Forecasted Schedule to obtain evidence about the forecast. In our opinion, the Attachments and Exhibits are presented fairly, in all material respects, in relation to the Forecasted Schedule.

Section 1, *Introduction*, has not been subjected to the procedures applied in the examination of the Forecasted Schedule and, accordingly, we do not express an opinion or provide any assurance on it.

There will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

The accompanying Forecasted Schedule and our report are intended solely for the information and use of the Members of the Board of Airport Commissioners, the Airport's management, California's Assembly and Senate Committees on Judiciary, the Assembly Committee on Transportation, and the Senate Committee on Transportation and Housing, and are not intended to be and should not be used by anyone other than these specified parties.

Mess Adams LLP

Los Angeles, California
May 10, 2022

3. SCHEDULE OF FORECASTED REVENUES AND COSTS OF THE LOS ANGELES INTERNATIONAL AIRPORT CONSOLIDATED RENT-A-CAR FACILITY AND COMMON TRANSPORTATION SYSTEM

| | Amount (in millions) |
|--|----------------------------|
| TOTAL CONRAC AND APM/CTS COSTS (July 1, 2018 to June 30, 2049) | |
| ConRAC | |
| Milestone payments to ConRAC Developer (a) | (\$445.2) |
| Planning expenses (a) | (3.0) |
| Interest during construction for Department ConRAC Bonds and commercial paper | (28.3) |
| Department Series 2022A CFC Revenue Bonds debt service (b) | (921.8) |
| Department availability payments to ConRAC Developer (c) | (1,009.8) |
| Total ConRAC costs | [A] (\$2,408.1) |
| APM/CTS | |
| Allocable APM/CTS Costs (d) | (\$2,527.8) |
| CTS Contribution Scheduled Abatement (e) | (115.0) |
| Temporary common shuttle bus expenses | (47.4) |
| Fund \$25 million deposit to CTS Payment Account (f) | (25.0) |
| Total APM/CTS costs | [B] (\$2,715.2) |
| Total ConRAC and APM/CTS costs | [C=A+B] (\$5,123.2) |
| TOTAL REVENUES (through June 30, 2046) | |
| Actual CFC revenues (including interest income) through June 30, 2021 | [D] \$541.2 |
| Forecast CFC revenues July 1, 2021-on: \$9.00 CFC per Transaction Day | \$2,845.6 |
| Forecast CFC interest income | 11.0 |
| Subtotal of CFC revenues and CFC interest income | \$2,856.6 |
| CTS Contribution Scheduled Abatements (e) | 115.0 |
| Net Concessionaire CTS Contributions (g) | 1,397.8 |
| Estimated CTS Contribution Additional Abatement going to the Department | 72.0 |
| Initial CTS Payment Account balance from Series 2022A CFC Revenue Bond proceeds (h) | 25.0 |
| Department Series 2022A CFC Revenue Bonds debt service and rolling coverage reserves (b) | 50.9 |
| Department Series 2022A CFC Revenue Bonds capitalized interest from bond proceeds | 28.3 |
| Airport Revenue Bond debt service reserve allocable to APM/CTS (d) | 36.4 |
| Forecast revenues | [E] \$4,582.1 |
| Total revenues to pay ConRAC and APM/CTS costs | [F=D+E] \$5,123.2 |
| Demonstration: total CFC revenues equal total ConRAC and AMP/CTS | [F+C] \$0 |

Note: The totals shown above and in other sections of this 2022 CFC Report, including Attachment A and the exhibits, may not add to the amounts shown due to rounding.

(a) Source: Los Angeles World Airports Comprehensive Annual Financial Report for fiscal years ending June 30, 2021 and 2020.

(b) See Exhibit 3.

(c) See Exhibit 4.

(d) See Exhibit 5.

(e) Source: CLA.

(f) Pursuant to CLA Section 6.6.1 CTS Payment Account, subsection (a) Initial Balance.

(g) See Attachment A, Section 3.b. and CLA Section 6.6 to understand how this amount was calculated.

(h) This \$25.0 million, along with another \$25.0 million funded from CFC revenue constitutes the initial \$50 million CTS Payment Account balance to be used on ConRAC and APM/CTS costs.

See accompanying Notes to the Schedule of Forecasted Revenues and Costs of the Los Angeles International Airport Consolidated Rent-A-Car Facility and Common Transportation System and Examination Report of Independent Accountants.

4. NOTES TO SCHEDULE OF FORECASTED REVENUES AND COSTS OF THE LOS ANGELES INTERNATIONAL AIRPORT CONSOLIDATED RENTAL CAR FACILITY AND COMMON TRANSPORTATION SYSTEM

4.1 General

California Civil Code 1939, as amended by Assembly Bill (AB) 2051 and AB 2280 (collectively, the CFC Legislation), permits an airport sponsor to require rental car companies to collect from a renter a Customer Facility Charge (CFC) to finance, design and construct a consolidated airport rental car facility; finance, design, construct, and operate common-use transportation systems that move passengers between airport terminals and those consolidated car rental facilities, and to acquire vehicles for use in that system; and to finance, design, and construct terminal modifications solely to accommodate and provide customer access to common-use transportation systems.

California Civil Code Section 50474.3 (b)(4)(iii) requires airports complete a CFC audit every three years if the CFC is collected for the purpose of operating a common-use transportation system or to acquire vehicles for use in the system.

(iii) An audit shall be completed every three years after initial collection if the customer facility charge is collected for the purpose of operating a common-use transportation system or to acquire vehicles for use in the system pursuant to paragraph (2) of subdivision (a) of Section 50474.21. A regularly conducted audit of airport finances that includes the customer facility charge information, that satisfies the requirements of subdivision (b) of Section 50474.21, and is produced in accordance with the generally accepted accounting principles of the Government Accounting Standards Board, shall satisfy the requirements of this clause. The information reported pursuant to this clause shall be compiled into one document and shall be posted on the airport's internet website accessible to the public. The information reported shall be contained within one easily accessible page contained within the airport's internet website. In this 2022 CFC Report, the word "audit" is used to be consistent with the description of the work to be performed under the requirements of California Government Code Section 50474.3 (b)(4)(B)(iii), but the use of the word "audit" in this 2022 CFC Report does not have the same meaning as it does in accordance with American Institute of Certified Public Accountants (AICPA) standards.

Subdivision (b) of Section 50474.21 requires that the following information be provided in the audit:

1. The amount of CFC revenue does not exceed the reasonable costs.
2. The necessity for, and the amount of CFC revenue.
3. The steps the airport operator has taken to limit costs.
4. Other potential alternatives for meeting the airport operator's revenue needs other than the collection of the fee.
5. The extent to which rental car companies or other businesses or individuals using the facility or CTS will pay for the costs associated with these facilities and systems apart

from the fee collected from customers.

The Los Angeles International Airport (Airport) is owned and operated by the Department of Airports of the City of Los Angeles (the Department). The Department prepared this 2022 CFC Report to fulfill the requirements of the required triannual audit.

The business arrangements for the development of the ConRAC and APM/CTS, including the collection and use of alternative CFC revenues at the Airport to pay for the costs of both projects, were agreed upon in the Concession Lease and Agreement (CLA), which was executed by the Department and seven on-Airport rental car companies that currently operate a total of 14 rental brands that serve the Airport. The CLA was signed by each of the existing on-Airport rental car companies and fully executed by the Department in mid-2018.

4.2 Basis of Accounting

The accompanying Schedule is presented using the cash basis of accounting, whereby revenues and expenditures are recognized during the period in which they are received or disbursed.

4.3 Summary of Forecasted Revenues and Costs

Provided on Exhibit 1 are the total ConRAC Capital Costs and Allocable APM/CTS Costs, and total revenues, including actual CFC revenues through June 30, 2021, forecast CFC revenue under the existing \$9.00 CFC per Transaction Day, forecasted CFC interest income, forecasted Net Concessionaire CTS Contributions, and debt service reserve and debt service coverage reserve amounts.

4.3.1 Summary of Forecasted ConRAC Costs. The forecast of total ConRAC costs presented on Exhibit 1 is equal to the sum of the following:

- Actual milestone payments by the Department to the ConRAC Developer through FY 2021 as presented in the Los Angeles World Airports Comprehensive Annual Financial Report for Years Ended June 30, 2021 and 2020.
- Actual rental car planning expenses as presented in the Los Angeles World Airports Comprehensive Annual Financial Report for Years Ended June 30, 2021 and 2020.
- Actual debt service reserve fund deposit for the Department Series 2022A CFC Revenue Bonds.
- Payment of Department ConRAC Bond and commercial paper interest during ConRAC construction.
- Starting at ConRAC DBO, forecasted Capital Costs equal to the following:
 - Actual annual debt service on the Department ConRAC Bonds. These bonds are estimated to be fully paid by 2048 (see Exhibit 3).
 - Actual annual ConRAC Developer availability payments that would repay ConRAC Developer Capital Costs. The availability payment is estimated to be fully paid by 2047 (see Exhibit 4).

4.3.2 Summary of Forecasted Allocable APM/CTS Costs. The forecast of Allocable APM/CTS Costs presented on Exhibit 1 is equal to the sum of the following:

- CTS Contribution Scheduled Abatement (funded from CFC revenues).
- A \$25 million deposit to the CTS Payment Account pursuant to the CLA (funded from CFC revenues).
- Estimated shuttle bus expenses for nine months between ConRAC DBO and APM/CTS DBO.
- Starting at APM/CTS DBO, forecasted Allocable APM/CTS Costs would be up to 41.0% of the following annual costs⁶:
 - Actual and estimated Airport Revenue Bond debt service. The Airport Revenue Bonds are estimated to be fully paid by 2049 (see Exhibits 5 and 6).
 - Actual availability payments made by the Department to the APM Developer. The availability payments to the APM Developer are estimated to be fully paid by 2048 (see Exhibit 5).
 - Estimated amortization charges of cash advanced by the Department. Amortization charges are estimated to be fully paid by 2047 (see Exhibit 5). As discussed in Section 4.8.2 of this 2022 CFC Report, amortization charges would be paid by Net Concessionaire CTS Contributions, not CFC revenues.

Total ConRAC Capital Costs plus Allocable APM/CTS Costs are equal to \$5.1 billion.

4.3.3 Summary of Forecasted Revenues. The forecast of \$5.1 billion of revenues reflected on Exhibit 1 is equal to the sum of the following:

- \$541.2 million of actual CFC revenues and interest income through June 30, 2021.
- \$2.8 billion of forecasted CFC revenues from the existing CFC rate of \$9.00 per Transaction Day through June 2046, the last year under the Mid-Range Forecast assumed in this 2022 CFC Report, multiplied by the forecasted Transaction Days during the same period.
- \$11.0 million of forecasted CFC revenue interest income through June 2046, the last year under the Mid-Range Forecast assumed in this 2022 CFC Report.
- \$115.0 million from the CTS Contribution Scheduled Abatement account.
- \$1,397.8 million of Net Concessionaire CTS Contributions starting at ConRAC DBO and continuing through 2048 (the same year the CLA is assumed to expire, assuming the one option period is exercised by the Department).

⁶ It should be noted that although 41.0% of annual APM/CTS costs are always allocable to the ConRAC, in certain years (as reflected on Exhibit 5) less than 41.0% of annual APM/CTS costs are actually paid with CFC Revenues, Net Concessionaire CTS Contributions, and other revenue sources reflected on Exhibit 1.

- \$72.0 million of CTS Contribution Additional Abatement that goes to the Department and is assumed to pay annual APM costs.
- \$25.0 million of CTS Payment Account initial fund balance from bond proceeds (this \$25.0 million along with another \$25.0 million funded from CFC revenue above constitutes the \$50 million initial balance in the CTS Payment Account).
- \$50.9 million of debt service and rolling coverage reserves associated with the Department Series 2022A CFC Revenue Bonds.
- \$28.3 million of CFC Revenue Bond proceeds used to pay capitalized interest.
- \$36.4 million of the debt service reserve fund for the Airport Revenue Bonds issued to fund the APM project. The \$36.4 million is equal to 41.0% of the total funded debt service reserve from all Airport Revenue Bonds issued to fund the APM project, which 41.0% is equal to the share of the APM that is considered to be the APM/CTS pursuant to the CLA and included in Allocable APM/CTS Costs.

Section 4.4 and Attachment A provides additional information regarding the assumptions used to prepare the forecasts described above.

4.4 Summary of Significant Assumptions

The assumptions used to prepare the forecasts described in this 2022 CFC Report are summarized in Attachment A and are also included on the exhibits attached to this 2022 CFC Report.

This financial forecast presents, to the best of Airport management's knowledge and belief, the Airport's expected revenues and the expected total ConRAC Capital Costs and Allocable APM/CTS Costs for the forecast period. Accordingly, the forecast reflects Airport management's judgement as of the date of this forecast, of the expected conditions and its expected course of action. The assumptions disclosed herein are those that Airport management believes are significant to the forecast. There will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

The following is important to understand regarding the assumptions and information contained in this 2022 CFC Report, and used to prepare the forecasts:

1. The use of a DBFOM approach by the Department for both the ConRAC project and the APM/CTS project means that a large portion of the CFC-eligible costs used to prepare the financial projections in this 2022 CFC Report for both projects are known and fixed. In addition, the DBFOM approach for the APM/CTS project also resulted in known and fixed operating expenses over the term of the contract between the Department and the APM Developer.
2. The estimated sources of funds to pay that portion of ConRAC project costs and APM/CTS project costs not paid by the respective developer of each project were provided by the Department and are subject to change to reflect actual funding sources,

including the amount and timing associated with milestone payments to the ConRAC Developer and the APM Developer.

3. The forecast of annual CFC revenue at the existing \$9.00 CFC rate is based on certain assumptions regarding growth in future Transactions and Transaction Days as well as the average number of Transaction Days. The actual amount of annual CFC revenue that is collected by the Department and the uses of that revenue will be affected by, among other things, the actual number of Transactions and Transaction Days. If annual CFC revenues are not sufficient to pay annual APM/CTS Capital Costs and operating costs, the Department would use unrestricted Airport revenues to meet that obligation.

4.5 ConRAC Project Costs

Exhibit 2 shows the cost of the ConRAC project of approximately \$1.3 billion, which includes design and construction costs and Department soft costs.

4.6 APM/CTS Project Costs

This section presents the APM project costs pursuant to the APM Developer design for the APM and the amount of APM project costs that are allocated to and constitute APM/CTS project costs.

4.6.1 APM Project Costs. APM project costs are shown on Exhibit 2. APM system project costs are \$2.6 billion. The portion of APM project costs that are allocated to the APM/CTS are also shown on Exhibit 2.

4.6.2 Allocation of APM Project Costs to APM/CTS System. Pursuant to the CLA, approximately 41.0% of annual APM/CTS Capital Costs and APM/CTS Operating Costs are allocable to the ConRAC, the sum of which is equal to Allocable APM/CTS Costs. 100% of the temporary common shuttle bus costs included in this 2022 CFC Report are allocable to the ConRAC.

The cost of the APM project that is allocable to the APM/CTS is approximately \$1.1 billion, as shown on Exhibit 2.

4.7 ConRAC and APM/CTS Project Funding Sources

Exhibit 2 presents the estimated sources of funding for ConRAC and APM project costs.

Funding plans for that portion of the ConRAC project and the APM project that are expected to be funded by the Department were developed by the Department based on the Airport's contractual relationships with the ConRAC Developer and the APM Developer. Remaining costs for each project would be funded by the respective developer.

4.7.1. ConRAC Project Funding Sources. The estimated funding plan assumes the following:

- The ConRAC Developer will fund all ConRAC project costs.
- Prior to or around ConRAC DBO, a portion of ConRAC Developer capital would be replaced with the following sources through "milestone payments" made by the

Department to the ConRAC Developer (a) actual and forecast pay-as-you-go CFC revenues and (b) Department ConRAC Bond proceeds.

As reflected on Exhibit 2, it was assumed that on or about ConRAC DBO, eligible ConRAC project costs would be funded by the following approximate amounts:

- \$445.2 million in existing and forecasted CFC revenues.
- \$434.6 million in net proceeds from the issuance of Department Series 2022A CFC Revenue Bonds.
- \$408.6 million in ConRAC Developer capital.

4.7.2. APM/CTS Project Funding Sources. The estimated funding plan assumes the following for the APM:

- The APM Developer will fund total APM project costs.
- Prior to or around APM/CTS DBO, a portion of APM Developer capital would be replaced with the following sources through “milestone payments” made by the Department to the APM Developer (a) the net proceeds of Airport Revenue Bonds and (b) Department cash.

As reflected on Exhibit 2, it was assumed that on or about APM/CTS DBO, total APM project costs would be funded by the following approximate amounts:

- \$1.0 billion in net proceeds of prior Airport Revenue Bonds.
- \$168.3 million in net proceeds of future Airport Revenue Bonds.
- \$491.0 million of Department cash.
- \$939.4 million in APM Developer capital.
- Approximately 41.0% of the amounts shown above and presented on Exhibit 2 constitute that portion of APM project costs that are allocable to the APM/CTS, which is equal to approximately \$1.1 billion.

4.8 Annual ConRAC Capital Costs and Allocable APM/CTS Costs

4.8.1. ConRAC. For the ConRAC project, estimated annual Capital Costs include the following:

- Actual annual debt service on the \$434.6 million in net proceeds of Department Series 2022A CFC Revenue Bonds as reflected on Exhibit 3.
- Annual availability payments made by the Department to the ConRAC Developer, as shown on Exhibit 4.

Total annual ConRAC Capital Costs to be paid by CFC revenue are estimated to start on ConRAC DBO through 2048.

As shown on Exhibit 3 and near the last maturity date of the Department ConRAC Bonds, the funds in the debt service reserve fund and coverage account would be used to reduce the annual capital costs that would otherwise be paid from CFC revenue.

Pursuant to the CLA, the Concessionaires are responsible for paying their share of ConRAC operating expenses. ConRAC facility operating expenses cannot be paid from annual CFC revenues under the CFC Legislation.

4.8.2. Allocable APM/CTS Costs. Estimated annual Allocable APM/CTS Costs would include the following:

- Estimated shuttle bus costs of \$47.4 million for the nine months between ConRAC DBO and APM/CTS DBO.
- Annual availability payments made by the Department to the APM Developer, as shown on Exhibit 5. The amounts include costs to build, finance, renew, and operate the APM during the term of the agreement between the Department and the APM Developer.
- Actual annual debt service on approximately \$1.0 billion in net proceeds of Airport Revenue Bonds that have been issued to fund APM Capital Costs.
- Annual debt service on approximately \$168.3 million in net proceeds of Airport Revenue Bonds to be issued to fund APM Capital Costs. The assumptions used to estimate financing costs (e.g., debt service reserve fund, capitalized interest and other costs of issuance) and annual debt service for Airport Revenue Bonds to be issued for the APM are shown on Exhibit 6.
- Amortization of cash advanced by the Department to be used to fund APM project costs, as shown on Exhibit 5.

Net Concessionaire CTS Contributions would be used to pay that portion of Allocable APM/CTS Costs associated with the amortization of Department cash, since CFC revenues and CFC interest income can't be used to pay these costs pursuant to the CFC Legislation.

As shown on Exhibit 5, the forecasted funds in the debt service reserve fund for Airport Revenue Bonds would be used to reduce the annual debt service costs that would otherwise be paid from alternative CFC revenues.

ATTACHMENT A
KEY ASSUMPTIONS

1. Financing Assumptions--APM/CTS

(Dollars in thousands)

NOTE: As shown on Exhibit 6, the Department has issued five series of bonds to fund APM milestone payments and expects to issue the final series that would fund the final APM milestone payment in March 2023. The assumptions for the final bond issuance are presented below.

| | Department Airport revenue bonds |
|---|---|
| 1a. Bond Issuance Date | March 2023 |
| 1b. First and Final Principal Payments Due | |
| First principal due | 2024 |
| Final principal due | 2049 |
| 1c. Debt service structure | Level debt service |
| 1d. Bond/Financing Interest Rates | 6.00% |
| 1e. Bond Capitalized Interest during Construction | \$ 35,348 |
| 1f. Debt Service Reserve Fund funded from bond or financing proceeds (assumed equal to annual debt service) | \$ 28,314 |
| 1g. Deposit to Coverage Fund equal to 25% times annual debt service | None |
| 1h. Deposit to CTS Payment Account (initial balance) | None |
| 1i. Costs of issuance (as % of bond principal/loan amount) | 1.50% |

2. Rental Car Activity Assumptions

- 2a. The economic base of the Airport's air service area will remain stable and diversified during the projection period.
- 2b. The Airport rental car companies will continue to operate at the Airport for the duration of the period covered by this report. It was assumed that if one or more of the rental car companies leave the market, the remaining rental car companies (and any new entrant rental car companies) will act to serve demand and capture market share of any departing company.

2c. Transactions.

The Department has been collecting the number of rental car transactions from rental car companies serving the Airport since July 1, 2007.

The 6-month period from July 1, 2007 through December 31, 2007 has been ignored for purposes of determining annualized data.

The table below shows the historical trend in rental car transactions from FY 2009 through FY 2021.

As shown on the table below, rental car transactions for the rental car companies that operate at the Airport increased at an average rate of approximately 3.4% per year from FY 2009 through FY 2019.

ACTUAL RENTAL CAR TRANSACTIONS

Los Angeles International Airport

| Fiscal Year | Rental car transactions (a) |
|-------------------------------|-----------------------------|
| 2009 | 2,202,845 |
| 2010 | 2,220,706 |
| 2011 | 2,418,276 |
| 2012 | 2,609,868 |
| 2013 | 2,711,759 |
| 2014 | 2,865,907 |
| 2015 | 2,949,372 |
| 2016 | 3,174,000 |
| 2017 | 3,212,976 |
| 2018 | 3,205,116 |
| 2019 | 3,063,656 |
| 2020 | 2,203,750 |
| 2021 | 1,070,743 |
| <hr/> | |
| Average Annual Rate of Growth | |
| 2009-2019 | 3.4% |

Source for transactions data: Department.

(a) Rental car transactions exclude Midway who did not sign the CLA.

2. Rental Car Activity Assumptions (continued)

2d. Transaction Days. CFC transaction days per transaction are assumed at 3.49 days. The 3.49 amount takes into account the transaction days excluded as a result of the 5-day cap. The rental car companies serving the Airport have been reporting transaction days of not more than 5 days since March 2015. Based on data provided by the Department, as reported by rental car companies from March 2015 through June 2019 to the Department, transaction days of not more than 5-days have increased from 3.40 in FY 2016 to 3.49 per rental car company transaction in FY 2019 . However, in FY 2020 and FY 2021, transaction days of not more than 5-days per rental car company transaction decreased to 3.47 and 3.37 respectively due to the negative effects of the COVID-19 pandemic on passenger travel. For the purposes of the forecast included in the Report, we are assuming transaction days of not more than 5-days per rental car company transaction will return to the number of transaction days of not more than 5-days per rental car company transaction in FY 2019 of 3.49 by FY 2025 and remain flat through the remainder of the forecast period.

3. CFC Revenue Assumptions

3a. The forecast of CFC revenues is based on the existing \$9.00 CFC level multiplied by Transaction Days.

3b. Rental car CTS Contributions starting in Agreement Year 2024 are equal to \$43.9 million escalated each year at 2.5% pursuant to the CLA.

3c. Rental car CTS Contributions continue through 2048 (when the CLA will expire).
CFC revenues are forecast to continue through **June 2046** (assuming 1.4% rental car transaction growth for FY 2025-on).

3d. Interest earnings on CFC revenues based on average balances and earnings rate of 1.0%.

4. Other

4a. To the extent that there are any *actual* remaining annual CFC revenues, interest income, and Concessionaire CTS Contributions after paying all the costs described in the Report in any year, the Department intends to use the remaining revenues to pay CFC-eligible costs for the ConRAC and APM/CTS projects, including, but not limited to, paying down outstanding ConRAC and/or APM/CTS outstanding bonds, debt, and/or other sources of capital used to fund project costs. For simplicity, the forecasts presented in the Report assume that any remaining revenues would be used to pay annual CFC-eligible costs, but used towards the end of the period of time to collect the \$9.00 CFC per transaction day.

4b. No significant changes in the form of alternative transportation or expansion of existing modes of alternative transportation are expected at the Airport that would have a significant influence on rental car demand during the period covered by this Report.

EXHIBITS

**SCHEDULE OF FORECASTED COSTS AND REVENUES OF THE LOS ANGELES INTERNATIONAL AIRPORT
CONSOLIDATED RENTAL CAR FACILITY AND COMMON TRANSPORTATION SYSTEM**
ConRAC and APM/CTS
Los Angeles International Airport
Numbers in thousands

TOTAL CONRAC AND APM/CTS COSTS

| | | | |
|--|----|------------------|---------------------|
| ConRAC | | | |
| CFC revenues used to make milestone payments to ConRAC Developer and LAWA soft costs through FY 2021 | \$ | | 445,174 |
| Planning expenses (a) | | | 3,026 |
| Fund interest during construction for Department ConRAC Bonds and CP | | | 28,324 |
| ConRAC capital costs | | | |
| Department ConRAC Bonds debt service (b) | | | 921,771 |
| Availability payments to ConRAC Developer (c) | | | 1,009,759 |
| Total ConRAC costs | | [A] | \$ 2,408,054 |
| APM/CTS | | | |
| Estimated common shuttle bus expenses (9 month period from ConRAC DBO to APM DBO) | | | 47,359 |
| Allocable CTS Costs (d) | \$ | | 2,527,822 |
| % of total Annual APM Costs | | | 39.1% |
| CTS Contribution Scheduled Abatement (e) | | | 115,000 |
| Fund \$25 million deposit to the CTS Payment Account (f) | | | 25,000 |
| Total APM/CTS Costs | | [B] | \$ 2,715,181 |
| Total ConRAC and APM/CTS costs | | [C]=[A+B] | \$ 5,123,235 |

TOTAL REVENUES

| | | | |
|---|----|-----------------|---------------------|
| Actual CFC Revenues through June 30, 2021 | | | |
| Actual CFC revenues through June 30, 2021 | \$ | | 500,903 |
| Actual interest income through June 30, 2021 | | | 40,276 |
| Actual CFC Revenues through June 30, 2018 | | [D] | \$ 541,179 |
| Forecast revenues (July 2021-on) | | | |
| Forecast: \$9.00 CFC per Transaction Day | \$ | | 2,845,604 |
| Forecast CFC interest income | | | 10,970 |
| Subtotal | \$ | | 2,856,575 |
| Net Concessionaire CTS Contributions (g) | | | 1,397,846 |
| Estimated CTS Contribution Additional Abatement going to LAWA, assumed to pay APM/CTS Costs | | | 71,976 |
| CTS Contribution Scheduled Abatements (e) | | | 115,000 |
| Use of initial CTS Payment Account balance from bond proceeds (h) | | | 25,000 |
| Use of Department ConRAC Bonds debt service reserve (b) | | | 40,734 |
| Use of Department ConRAC Bonds rolling coverage reserve (b) | | | 10,183 |
| Use of Department ConRAC Bonds capitalized interest amount from bond proceeds | | | 28,324 |
| Use of allocable airport revenue bond debt service reserve (d) | | | 36,419 |
| Forecast revenues | | [E] | \$ 4,582,056 |
| Total revenues to pay ConRAC and APM/CTS costs | | [F=D+E] | \$ 5,123,235 |
| Demonstration: total ConRAC and APM/CTS costs equal total revenues | | =[C]-[F] | \$ 0 |

NOTE: Totals may not add to the amounts shown due to rounding.

(a) Source: Los Angeles World Airports Comprehensive Annual Financial Report for fiscal years ending June 30, 2021 and June 30, 2020.

(b) See Exhibit 3.

(c) See Exhibit 4.

(d) See Exhibit 5.

(e) Source: CLA.

(f) Pursuant to CLA Section 6.61 CTS Payment Account, subsection (a) Initial Balance.

(g) See Attachment A, Section 4.b. to understand how this amount was calculated.

(h) This \$25 million, along with \$25 million funded from CFC Revenues, constitutes the \$50 million initial balance in the CTS Payment Account.

Exhibit 1.1

ESTIMATED RANGE FOR CFC EXPIRATION DATE

ConRAC and APM/CTS
Los Angeles International Airport
Numbers in thousands

| | | |
|--|----|------------------|
| Forecast CFC Revenues (July 2021-on) | | |
| Forecast: \$9.00 CFC per Transaction Day (a) | \$ | 2,845,604 |
| Forecast CFC interest income (a) | | 10,970 |
| Subtotal | \$ | <u>2,856,575</u> |

Estimated CFC expiration date

Assuming annual rental car transaction growth of 0.7% for July 2025-on (b)

December 2047

Assuming annual rental car transaction growth of 1.4% for July 2025-on (b)

June 2046

Assuming annual rental car transaction growth of 2.0% for July 2025-on (b)

March 2045

NOTE: Totals may not add to the amounts shown due to rounding.

(a) See Exhibit 1.

(b) See Attachment A for passenger recovery and rental car transaction growth assumptions through June 30, 2025.

Exhibit 2

PROJECT COSTS AND FUNDING SOURCES

ConRAC and APM/CTS
Los Angeles International Airport
Numbers in thousands

| | Project Costs (escalated) and Funding Sources |
|---|--|
| ConRAC project cost (a) | \$ 1,288,363 |
| Estimated funding sources | |
| Pay-as-you-go CFC Revenues (actual, through FY 2021) | \$ 445,173 |
| Department Series 2022AB CFC Revenue Bond proceeds (actual) | 434,617 |
| ConRAC Developer | 408,573 |
| Total | \$ 1,288,363 |
| | |
| APM System project cost (b) | \$ 2,631,144 |
| Estimated funding sources | |
| Prior airport revenue bond proceeds (actual) | \$ 1,032,384 |
| Future airport revenue bond proceeds | 168,283 |
| Department cash | 491,032 |
| APM Developer | 939,445 |
| Total | \$ 2,631,144 |
| | |
| APM System project cost allocated to CTS | 41% |
| Allocable CTS Costs (c) | \$ 1,078,769 |

NOTE: Totals may not add to the amounts shown due to rounding.

(a) Source: Department, March 2022. Includes eligible design and construction costs and Department soft costs. Excludes approximately \$114.7 million of CFC-ineligible project costs to be paid for with Department cash.

(b) Source: Department.

(c) As defined in the CLA, "Allocable CTS Costs" includes (a) all Other CTS Costs and (b) forty-one percent (41.0%) of the APM Costs.

Exhibit 3
DEPARTMENT SERIES 2022AB CFC REVENUE BONDS FOR CONRAC (a)
ConRAC
Los Angeles International Airport
Numbers in thousands except %'s and as noted

SOURCES OF FUNDS

Bond principal \$ 546,015

USES OF FUNDS

ConRAC project costs funded from bond proceeds (b) \$ 434,617
Deposit to Senior Debt Service Reserve Fund 40,734
Capitalized Interest 28,324
Deposit to CTS Payment Account (c) 25,000
Deposit to Rolling Coverage Fund (d) 10,183
Other Costs of Issuance 7,157
\$ 546,015

ASSUMPTIONS

Bond interest rate 4.21%
Other costs of issuance (as % of bond principal) 1.31%
Term of bonds (years) (not 1,000's) Approx. 27

ANNUAL USE OF CFC REVENUES AND RESERVE FUNDS

| | Agreement Years Ending June 30 | | | | | | | | | | | | | | |
|--|--------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 | 2036 | 2037 | 2038 |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
| Department ConRAC Bonds debt service (shown on Exhibit 1) | \$ (19,229) | \$ (21,975) | \$ (21,975) | \$ (21,975) | \$ (21,975) | \$ (40,730) | \$ (40,733) | \$ (40,733) | \$ (40,732) | \$ (40,733) | \$ (40,733) | \$ (40,731) | \$ (40,731) | \$ (40,732) | \$ (40,731) |
| Final payments from debt service reserve fund (e) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Amount paid from rolling coverage account (f) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total | \$ (19,229) | \$ (21,975) | \$ (21,975) | \$ (21,975) | \$ (21,975) | \$ (40,730) | \$ (40,733) | \$ (40,733) | \$ (40,732) | \$ (40,733) | \$ (40,733) | \$ (40,731) | \$ (40,731) | \$ (40,732) | \$ (40,731) |

Extension of CLA Term

| | Agreement Years Ending June 30 | | | | | | | | | | TOTAL |
|--|--------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| | 2039 | 2040 | 2041 | 2042 | 2043 | 2044 | 2045 | 2046 | 2047 | 2048 | |
| | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | |
| Department ConRAC Bonds debt service (shown on Exhibit 1) | \$ (40,732) | \$ (40,732) | \$ (40,733) | \$ (40,734) | \$ (40,732) | \$ (40,730) | \$ (40,731) | \$ (40,733) | \$ (40,733) | \$ (40,733) | \$ (921,771) |
| Final payments from debt service reserve fund (e) | - | - | - | - | - | - | - | - | 1 | 40,733 | 40,734 |
| Amount paid from rolling coverage account (f) | - | - | - | - | - | - | - | - | 10,183 | - | 10,183 |
| Total | \$ (40,732) | \$ (40,732) | \$ (40,733) | \$ (40,734) | \$ (40,732) | \$ (40,730) | \$ (40,731) | \$ (40,733) | \$ (30,548) | \$ 0 | \$ (870,854) |

Sum of debt service reserve fund and rolling coverage account (shown on Exhibit 1) \$ 50,917

NOTE: Totals may not add to the amounts shown due to rounding.

(a) The Series 2022AB CFC Revenue Bonds were issued by the Department in March 2022.

(b) See Exhibit 2.

(c) Required by the CLA.

(d) Rolling Coverage Fund deposit equal to 25% of maximum Aggregate Annual Debt Service.

(e) As shown above, the Debt Service Reserve Fund was funded with the Series 2022AB CFC Bonds. The reserve is used for the final year(s) of debt service payments.

(f) As shown above, the Rolling Coverage Fund was funded with the Series 2022AB CFC Bonds. The reserve is used for the final year(s) of debt service payments.

Exhibit 4
AVAILABILITY PAYMENT TO CONRAC DEVELOPER
 ConRAC
 Los Angeles International Airport
 Numbers in thousands except %'s and as noted

Agreement Years Ending June 30

| | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 | 2036 | 2037 | 2038 |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
| Availability Payment to ConRAC Developer | \$ (37,653) | \$ (38,083) | \$ (38,518) | \$ (38,959) | \$ (39,405) | \$ (39,858) | \$ (40,316) | \$ (40,780) | \$ (41,250) | \$ (41,726) | \$ (42,209) | \$ (42,698) | \$ (43,193) | \$ (43,695) | \$ (44,203) |
| Total (shown on Exhibit 1) | \$ (37,653) | \$ (38,083) | \$ (38,518) | \$ (38,959) | \$ (39,405) | \$ (39,858) | \$ (40,316) | \$ (40,780) | \$ (41,250) | \$ (41,726) | \$ (42,209) | \$ (42,698) | \$ (43,193) | \$ (43,695) | \$ (44,203) |

Extension of CLA Term

Agreement Years Ending June 30

| | 2039 | 2040 | 2041 | 2042 | 2043 | 2044 | 2045 | 2046 | 2047 | 2048 | TOTAL |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|-------------|-----------------------|
| | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | |
| Availability Payment to ConRAC Developer | \$ (44,719) | \$ (45,241) | \$ (45,769) | \$ (46,305) | \$ (46,849) | \$ (47,399) | \$ (47,957) | \$ (48,522) | \$ (24,451) | \$ - | \$ (1,009,759) |
| Total (shown on Exhibit 1) | \$ (44,719) | \$ (45,241) | \$ (45,769) | \$ (46,305) | \$ (46,849) | \$ (47,399) | \$ (47,957) | \$ (48,522) | \$ (24,451) | \$ - | \$ (1,009,759) |

NOTE: Totals may not add to the amounts shown due to rounding.
 Source: Department.

Exhibit 5
ALLOCABLE APM/CTS COSTS
 APM/CTS
 Los Angeles International Airport
 Los Angeles World Airports
 Numbers in thousands except for %'s

| | Agreement Years Ending June 30 | | | | | | | | | | | | | | | |
|--|--------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2024 1 | 2025 2 | 2026 3 | 2027 4 | 2028 5 | 2029 6 | 2030 7 | 2031 8 | 2032 9 | 2033 10 | 2034 11 | 2035 12 | 2036 13 | 2037 14 | 2038 15 | |
| Estimated Annual APM Costs | | | | | | | | | | | | | | | | |
| Prior LAX revenue bonds debt service (a) | \$ (27,552) | \$ (57,953) | \$ (61,485) | \$ (61,495) | \$ (61,494) | \$ (61,494) | \$ (61,498) | \$ (61,488) | \$ (61,491) | \$ (61,489) | \$ (61,494) | \$ (61,497) | \$ (61,492) | \$ (61,485) | \$ (61,497) | |
| Future LAX revenue bonds debt service (a) | (2,672) | (28,456) | (28,646) | (28,647) | (28,647) | (28,650) | (28,649) | (28,648) | (28,645) | (28,647) | (28,648) | (28,650) | (28,641) | (28,650) | (28,647) | |
| Availability Payment (b) | (50,435) | (103,686) | (106,582) | (109,559) | (112,621) | (115,769) | (119,007) | (122,336) | (125,759) | (129,279) | (132,899) | (136,621) | (140,449) | (144,385) | (148,433) | |
| Amortization of Department cash (c) | (17,223) | (34,447) | (34,447) | (34,447) | (34,447) | (34,447) | (34,447) | (34,447) | (34,447) | (34,447) | (34,447) | (34,447) | (34,447) | (34,447) | (34,447) | |
| Estimated Annual APM Costs | [A] \$ (97,882) | \$ (224,542) | \$ (231,159) | \$ (234,148) | \$ (237,209) | \$ (240,361) | \$ (243,601) | \$ (246,919) | \$ (250,342) | \$ (253,862) | \$ (257,488) | \$ (261,215) | \$ (265,029) | \$ (268,967) | \$ (273,024) | |
| Final payments from debt service reserve (a) | [B] | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| Net Estimated Annual APM Costs | [C]=[A]+[B] | \$ (97,882) | \$ (224,542) | \$ (231,159) | \$ (234,148) | \$ (237,209) | \$ (240,361) | \$ (243,601) | \$ (246,919) | \$ (250,342) | \$ (253,862) | \$ (257,488) | \$ (261,215) | \$ (265,029) | \$ (268,967) | \$ (273,024) |
| Annual APM Costs allocated to CTS | [D] | 41.0% | 41.0% | 41.0% | 41.0% | 41.0% | 41.0% | 41.0% | 41.0% | 41.0% | 41.0% | 41.0% | 41.0% | 41.0% | 41.0% | |
| 41.0% x Estimated Annual APM Costs (shown on Exhibit 1) | [E]=[D]x[A] | \$ (40,132) | \$ (92,062) | \$ (94,775) | \$ (96,001) | \$ (97,256) | \$ (98,548) | \$ (99,877) | \$ (101,237) | \$ (102,640) | \$ (104,083) | \$ (105,570) | \$ (107,098) | \$ (108,662) | \$ (110,276) | \$ (111,940) |
| 41.0% x final payments from debt service reserve (shown on Ex.1) | [F]=[D]x[B] | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| Final payments from LAWA share of Additional Abatement | [G] | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| Allocable CTS Costs (41%) | [H]=[E]+[F]+[G] | \$ (40,132) | \$ (92,062) | \$ (94,775) | \$ (96,001) | \$ (97,256) | \$ (98,548) | \$ (99,877) | \$ (101,237) | \$ (102,640) | \$ (104,083) | \$ (105,570) | \$ (107,098) | \$ (108,662) | \$ (110,276) | \$ (111,940) |
| Estimated payment of Allocable CTS Costs | [I] | \$ (40,132) | \$ (92,062) | \$ (85,789) | \$ (92,033) | \$ (75,952) | \$ (78,655) | \$ (81,346) | \$ (84,087) | \$ (86,897) | \$ (89,769) | \$ (105,570) | \$ (107,098) | \$ (108,662) | \$ (110,276) | \$ (111,940) |
| % | = [I] / [C] | 41.0% | 41.0% | 37.1% | 39.3% | 32.0% | 32.7% | 33.4% | 34.1% | 34.7% | 35.4% | 41.0% | 41.0% | 41.0% | 41.0% | 41.0% |

| | Extension of CLA Term | | | | | | | | | | | TOTAL | |
|--|--------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|----------------|-------------|
| | Agreement Years Ending June 30 | | | | | | | | | | | | |
| | 2039 16 | 2040 17 | 2041 18 | 2042 19 | 2043 20 | 2044 21 | 2045 22 | 2046 23 | 2047 24 | 2048 25 | 2049 26 | | |
| Estimated Annual APM Costs | | | | | | | | | | | | | |
| Prior LAX revenue bonds debt service (a) | \$ (61,491) | \$ (61,495) | \$ (61,494) | \$ (61,477) | \$ (61,488) | \$ (61,487) | \$ (61,492) | \$ (61,488) | \$ (61,490) | \$ (61,494) | \$ (10,148) | \$ (1,509,948) | |
| Future LAX revenue bonds debt service (a) | (28,648) | (28,651) | (28,651) | (28,652) | (28,648) | (28,648) | (28,649) | (28,643) | (28,646) | (28,647) | (28,313) | (718,338) | |
| Availability Payment (b) | (152,596) | (156,876) | (161,278) | (165,805) | (170,461) | (175,248) | (180,172) | (185,235) | (190,443) | (183,027) | - | (3,518,962) | |
| Amortization of Department cash (c) | (34,447) | (34,447) | (34,447) | (34,447) | (34,447) | (34,447) | (34,447) | (34,447) | (34,447) | - | - | (809,502) | |
| Estimated Annual APM Costs | [A] \$ (277,181) | \$ (281,469) | \$ (285,870) | \$ (290,382) | \$ (295,044) | \$ (299,830) | \$ (304,760) | \$ (309,814) | \$ (315,025) | \$ (273,168) | \$ (38,461) | \$ (6,556,750) | |
| Final payments from debt service reserve (a) | [B] | - | - | - | - | - | - | - | - | 50,366 | 38,461 | 88,827 | |
| Net Estimated Annual APM Costs | [C]=[A]+[B] | \$ (277,181) | \$ (281,469) | \$ (285,870) | \$ (290,382) | \$ (295,044) | \$ (299,830) | \$ (304,760) | \$ (309,814) | \$ (315,025) | \$ (222,802) | \$ (6,467,923) | |
| Annual APM Costs allocated to CTS | [D] | 41.0% | 41.0% | 41.0% | 41.0% | 41.0% | 41.0% | 41.0% | 41.0% | 41.0% | 41.0% | | |
| 41.0% x Estimated Annual APM Costs | [E]=[D]x[A] | \$ (113,644) | \$ (115,402) | \$ (117,207) | \$ (119,056) | \$ (120,968) | \$ (122,930) | \$ (124,952) | \$ (127,024) | \$ (129,160) | \$ (111,999) | \$ (15,769) | (2,688,268) |
| 41.0% x final payments from debt service reserve | [F]=[D]x[B] | - | - | - | - | - | - | - | - | 20,650 | 15,769 | 36,419 | |
| Final payments from LAWA share of Additional Abatement | [G] | - | - | - | - | - | - | - | - | 71,976 | - | 71,976 | |
| Allocable CTS Costs (41%) | [H]=[E]+[F]+[G] | \$ (113,644) | \$ (115,402) | \$ (117,207) | \$ (119,056) | \$ (120,968) | \$ (122,930) | \$ (124,952) | \$ (127,024) | \$ (129,160) | \$ (19,373) | \$ (2,579,873) | |
| Estimated payment of Allocable CTS Costs | [I] | \$ (113,644) | \$ (115,402) | \$ (117,207) | \$ (119,056) | \$ (120,968) | \$ (122,930) | \$ (124,952) | \$ (127,024) | \$ (89,120) | \$ (18,857) | \$ (2,419,427) | |
| % | = [I] / [C] | 41.0% | 41.0% | 41.0% | 41.0% | 41.0% | 41.0% | 41.0% | 41.0% | 28.3% | 8.5% | 0.0% | 37.4% |
| Estimated payment of Allocable CTS Costs | | | | | | | | | | | | \$ (2,419,427) | |
| Less: final payments from debt service reserve | | | | | | | | | | | | (36,419) | |
| Less: final payments from LAWA share of Additional Abatement | | | | | | | | | | | | (71,976) | |
| Estimated payment of Allocable CTS Costs before reductions | | | | | | | | | | | | \$ (2,527,822) | |
| % | | | | | | | | | | | | 39.1% | |

NOTE: Totals may not add to the amounts shown due to rounding.

- (a) See Exhibit 6.
- (b) Source: Department.
- (c) Amortization of Department cash used for APM System assuming 25 year useful life and 5.00% interest rate

Exhibit 6
DEPARTMENT AIRPORT REVENUE BONDS FOR APM SYSTEM
 APM/CTS
 Los Angeles International Airport
 Numbers in thousands except for %'s and as noted

| | Series 2018E (a) | Series 2019E (b) | Series 2020D (a) | Series 2021B (b) | Series 2022B (b) | Future Series (a) | TOTAL |
|----------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------|
| SOURCES OF FUNDS | | | | | | | |
| Bond principal | \$ 159,980 | \$ 146,012 | \$ 120,000 | \$ 304,059 | \$ 156,373 | \$ 361,920 | \$ 1,248,343 |
| Net Original Issue Premium | 22,058 | 32,898 | 29,097 | 102,941 | 39,068 | - | 226,062 |
| | \$ 182,038 | \$ 178,910 | \$ 149,097 | \$ 407,000 | \$ 195,441 | \$ 361,920 | \$ 1,474,406 |

| | Series 2018E (a) | Series 2019E (b) | Series 2020D (a) | Series 2021B (b) | Series 2022B (b) | Future Series (a) | TOTAL |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------|
| USES OF FUNDS | | | | | | | |
| Project costs funded from bond proceeds (c) | \$ 168,292 | \$ 168,292 | \$ 143,601 | \$ 383,900 | \$ 168,300 | \$ 168,283 | \$ 1,200,667 |
| Pay off commercial paper used for APM cap interest | - | - | - | - | 16,637 | 126,355 | 142,992 |
| Debt service reserve fund | 13,264 | 10,145 | 5,142 | 22,007 | 9,955 | 28,314 | 88,827 |
| Estimated capitalized interest | - | - | - | - | - | 35,348 | 35,348 |
| Other costs of issuance | 482 | 474 | 354 | 1,093 | 549 | 3,620 | 6,572 |
| Rounding | - | - | - | - | - | - | 0 |
| | \$ 182,038 | \$ 178,910 | \$ 149,097 | \$ 407,000 | \$ 195,441 | \$ 361,920 | \$ 1,474,406 |

| | Series 2018E (a) | Series 2019E (b) | Series 2020D (a) | Series 2021B (b) | Series 2022B (b) | Future Series (a) |
|--|------------------|------------------|------------------|------------------|------------------|-------------------|
| ASSUMPTIONS | | | | | | |
| Bond interest rate (not thousands) | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 6.00% |
| Other costs of issuance (as % of bond principal) | 0.30% | 0.32% | 0.29% | 0.36% | 0.35% | 1.00% |
| Term of bonds (years) (not 1,000's) | 30 | 30 | 28 | 27 | 26 | 25 |

SUMMARY OF APM DEBT SERVICE

| | Agreement Years Ending June 30 | | | | | | | | | | | | | | |
|---|--------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 2024 1 | 2025 2 | 2026 3 | 2027 4 | 2028 5 | 2029 6 | 2030 7 | 2031 8 | 2032 9 | 2033 10 | 2034 11 | 2035 12 | 2036 13 | 2037 14 | 2038 15 |
| Estimated APM revenue bond debt service | | | | | | | | | | | | | | | |
| LAX revenue bond debt service—Series 2018E | \$ (7,350) | \$ (11,352) | \$ (11,351) | \$ (11,351) | \$ (11,352) | \$ (11,353) | \$ (11,349) | \$ (11,350) | \$ (11,354) | \$ (11,351) | \$ (11,351) | \$ (11,353) | \$ (11,351) | \$ (11,350) | \$ (11,349) |
| LAX revenue bond debt service—Series 2019E | (6,512) | (10,145) | (10,145) | (10,148) | (10,148) | (10,144) | (10,147) | (10,146) | (10,145) | (10,144) | (10,148) | (10,146) | (10,147) | (10,145) | (10,146) |
| LAX revenue bond debt service—Series 2020D | (5,314) | (8,032) | (8,036) | (8,033) | (8,033) | (8,035) | (8,034) | (8,035) | (8,032) | (8,036) | (8,034) | (8,033) | (8,034) | (8,035) | (8,037) |
| LAX revenue bond debt service—Series 2021B | (7,592) | (22,003) | (22,002) | (22,009) | (22,008) | (22,008) | (22,013) | (22,007) | (22,005) | (22,005) | (22,006) | (22,012) | (22,006) | (22,002) | (22,010) |
| LAX revenue bond debt service—Series 2022B | (785) | (6,421) | (9,951) | (9,955) | (9,954) | (9,955) | (9,950) | (9,955) | (9,955) | (9,955) | (9,954) | (9,954) | (9,955) | (9,952) | (9,955) |
| LAX revenue bond debt service—future series | (2,672) | (28,456) | (28,646) | (28,647) | (28,647) | (28,650) | (28,649) | (28,648) | (28,645) | (28,647) | (28,648) | (28,650) | (28,641) | (28,650) | (28,647) |
| LAX revenue bond debt service (shown on Exhibit 5) | \$ (30,224) | \$ (86,409) | \$ (90,130) | \$ (90,142) | \$ (90,141) | \$ (90,144) | \$ (90,148) | \$ (90,136) | \$ (90,136) | \$ (90,136) | \$ (90,142) | \$ (90,147) | \$ (90,133) | \$ (90,135) | \$ (90,144) |
| Final payments from debt service reserve fund | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Estimated APM revenue bond debt service | \$ (30,224) | \$ (86,409) | \$ (90,130) | \$ (90,142) | \$ (90,141) | \$ (90,144) | \$ (90,148) | \$ (90,136) | \$ (90,136) | \$ (90,136) | \$ (90,142) | \$ (90,147) | \$ (90,133) | \$ (90,135) | \$ (90,144) |

| | Extension of CLA Term | | | | | | | | | | | 2049 | TOTAL |
|--|--------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|-----------------------|-------|
| | Agreement Years Ending June 30 | | | | | | | | | | | | |
| | 2039 16 | 2040 17 | 2041 18 | 2042 19 | 2043 20 | 2044 21 | 2045 22 | 2046 23 | 2047 24 | 2048 25 | | | |
| Estimated APM revenue bond debt service | | | | | | | | | | | | | |
| LAX revenue bond debt service—Series 2018E | \$ (11,353) | \$ (11,349) | \$ (11,353) | \$ (11,349) | \$ (11,351) | \$ (11,352) | \$ (11,353) | \$ (11,351) | \$ (11,350) | \$ (11,351) | \$ - | \$ (279,776) | |
| LAX revenue bond debt service—Series 2019E | (10,144) | (10,147) | (10,146) | (10,144) | (10,146) | (10,145) | (10,147) | (10,144) | (10,147) | (10,149) | (10,148) | (260,160) | |
| LAX revenue bond debt service—Series 2020D | (8,036) | (8,037) | (8,034) | (8,032) | (8,035) | (8,034) | (8,037) | (8,032) | (8,036) | (8,034) | - | (198,135) | |
| LAX revenue bond debt service—Series 2021B | (22,006) | (22,011) | (22,006) | (22,002) | (22,005) | (22,004) | (22,007) | (22,006) | (22,006) | (22,008) | - | (535,747) | |
| LAX revenue bond debt service—Series 2022B | (9,953) | (9,952) | (9,955) | (9,951) | (9,952) | (9,952) | (9,950) | (9,955) | (9,951) | (9,953) | - | (236,129) | |
| LAX revenue bond debt service—future series | (28,648) | (28,651) | (28,651) | (28,652) | (28,648) | (28,648) | (28,649) | (28,646) | (28,647) | (28,647) | (28,313) | (718,338) | |
| LAX revenue bond debt service (shown on Exhibit 5) | \$ (90,139) | \$ (90,146) | \$ (90,144) | \$ (90,129) | \$ (90,136) | \$ (90,135) | \$ (90,141) | \$ (90,131) | \$ (90,136) | \$ (90,142) | \$ (38,461) | \$ (2,228,286) | |
| Final payments from debt service reserve fund (shown on Exhibit 5) | - | - | - | - | - | - | - | - | - | 50,366 | 38,461 | 88,827 | |
| Estimated APM revenue bond debt service | \$ (90,139) | \$ (90,146) | \$ (90,144) | \$ (90,129) | \$ (90,136) | \$ (90,135) | \$ (90,141) | \$ (90,131) | \$ (90,136) | \$ (39,775) | \$ - | \$ (2,139,459) | |

NOTE: Totals may not add to the amounts shown due to rounding.

(a) Entire series issued for APM/CTS.

(b) Portion of this series funded APM/CTS.

(c) See Exhibit 2.