

*Presentation  
to the  
Board of Airport  
Commissioners*

*Los Angeles  
World Airports*

**LAX 2009  
Bond Sale Results**

*December 7, 2009*



# Discussion Overview

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- Results of Rating Agency Process
- Comments from the Rating Agencies
- Significance of Bond Ratings
- Results of the LAX 2009 Bond Sale
- Next Steps

## Results of Rating Agency Process

***Ratings were affirmed by all three rating agencies, with a change in outlook from Fitch from stable to negative***

	Senior Lien	Subordinate Lien	Outlook
Standard & Poor's	AA	AA-	Stable
Moody's	Aa3	A1	Stable
Fitch	AA	AA-	Negative

✈ *LAX is the only stand-alone “AA” rated airport in the country*

## Areas of Concern Identified by the Rating Agencies

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- Size and complexity of capital program
- Potential for substantial cost overruns
- Rapid increase in cost per enplaned passenger
- Potential for declining metrics that are not consistent with a “AA” rating
- Control of historically high operating expense growth

# Strengths Identified by the Rating Agencies

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- **Strong cash reserves available**
- **Air carrier diversity**
  - No airline has more than a 15% market share
- **Status as west coast international gateway**
  - Capital projects underway will strengthen this position
- **Conservative forecast assumptions**
- **Solid debt service coverage**
  - Flexibility to produce targeted coverage results on each lien
- **Reasonable cost per enplaned passenger ratios**
  - Towards the high end of the acceptable range

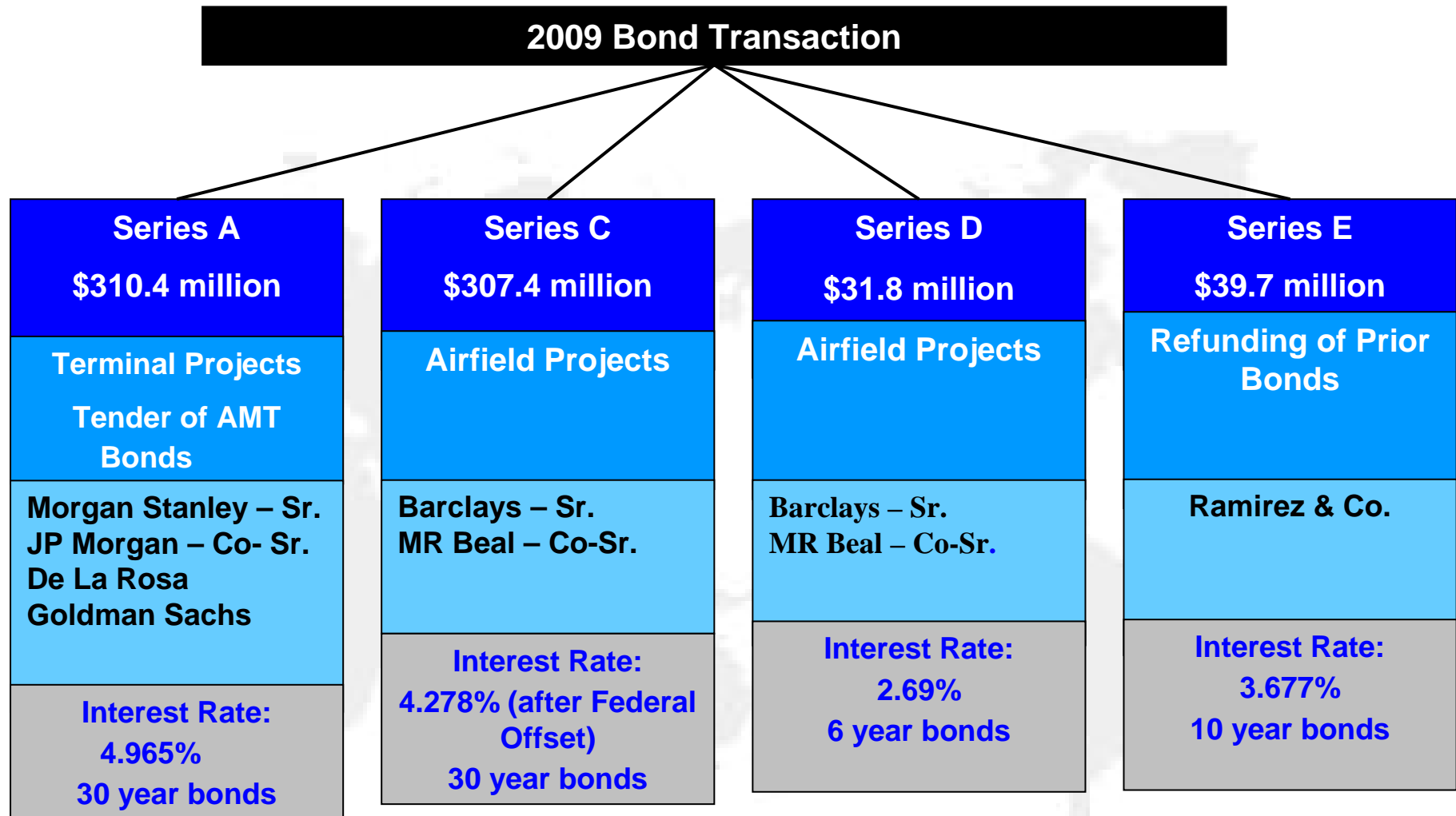
## The Value of a “AA” Rating

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### *A higher rating equates to lower borrowing costs*

- The difference between a “AA” and a “A” rating can be as much as 0.50%
  - Equates to average annual debt service savings of \$2.7 million versus a lower rated airport on a similar transaction
- Lack of availability of bond insurance has placed a higher premium on underlying credit ratings

# Results of 2009 LAX Bond Sale



**Tender of AMT Bonds resulted in savings of \$830,000**

## Savings from ARRA

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### **The “AMT holiday” and Build America Bonds (BABs) provisions in the American Reinvestment & Recovery Act (ARRA) provided substantial savings to LAWA**

- The AMT Holiday enabled LAWA to borrow at lower non-AMT rates
- Through the issuance of BABs, LAWA was able to access the taxable market with a government offset of the interest cost resulting in an interest rate that was lower than tax-exempt bonds
- ARRA provisions resulted in \$3.8 million savings in LAX’s average annual debt service cost

## Next Steps

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### ***Next steps in capital financing plan***

- February 2010 - BOAC approval of 2010 bond issuances
- Spring/Summer 2010 - Issuance of one or more series of bonds largely for Bradley West construction