
COUNTY OF ORANGE, CALIFORNIA
AIRPORT REVENUE BONDS, SERIES 2009 A & B
ANNUAL REPORT
FOR
FISCAL YEAR ENDED JUNE 30, 2014

Dated: January 22, 2015

**COUNTY OF ORANGE, CALIFORNIA
AIRPORT REVENUE BONDS, SERIES 2009 A & B
ANNUAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2014**

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INTRODUCTION

SEC RULE 15C2-12 ANNUAL REPORT

The County of Orange (the "County") hereby provides its annual report for the fiscal year ended June 30, 2014 in connection with the following Bonds:

Bond Issue:

County of Orange, California, Airport Revenue Bonds, Series 2009, dated July 1, 2009 (the "Bonds").

Annual Report:

The County's "annual report" (as defined in the Continuing Disclosure Certificate (the "Disclosure Certificate") dated July 1, 2009 with respect to the Bonds) for the fiscal year ended June 30, 2014 consists of the audited financial statements of John Wayne Airport (the "Airport") for said fiscal year and updates to the following tables contained in the Official Statement relating to the Bonds: Tables 8, 9, 10 and 12 under "AIRPORT OPERATIONS", Tables 14 and 15 under "FINANCIAL FACTORS," and additional BOND RELATED ITEMS 3.A to 3.E.

Other Matters:

This annual report is provided solely for purposes of the Disclosure Certificate. The filing of this report does not constitute or imply any representation (i) that the information provided herein, or any portion thereof, is material to investors, (ii) regarding any other financial, operating or other information about the County or the Bonds, or (iii) that no changes, circumstances or events have occurred since the end of the fiscal year to which this report relates (other than as contained in this report), or since the date of the Official Statement, or that no other information exists, which may have a bearing on the Airport's or County's financial condition, the security for the Bonds, or an investor's decision to buy, sell, or hold the Bonds. The information contained in this report has been obtained from sources, which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness. No statement in this annual report should be construed as a prediction or representation about future financial performance of the County.

Dated: January 22, 2015

COUNTY OF ORANGE

SECTION A

*Update to the charts and tables
contained in the Official Statement
relating to the Series 2009 Bonds*

TABLE 8
HISTORICAL PASSENGER ACTIVITY
MILLION ANNUAL PASSENGER (MAP) LIMIT

Fiscal Years	Total Passengers (1)	MAP Limit
1999	7,302,232	8,400,000
2000	7,799,602	8,400,000
2001	7,610,961	8,400,000
2002	7,408,476	8,400,000
2003	8,075,128	10,300,000
2004	9,035,648	10,300,000
2005	9,530,981	10,300,000
2006	9,600,953	10,300,000
2007	9,910,016	10,300,000
2008	9,566,043	10,300,000
2009	8,552,590	10,300,000
2010	8,812,269	10,300,000
2011	8,611,054	10,800,000
2012	8,650,860	10,800,000
2013	9,124,172	10,800,000
2014	9,304,295	10,800,000

(1) Source: JWA Passenger files

TABLE 9
JOHN WAYNE AIRPORT
AIRLINE ENPLANEMENTS MARKET SHARE
Fiscal Years 2011-12 through 2013-14

Air Carrier	2011-12		2012-13		2013-14	
	Enplaned Passengers	%	Enplaned Passengers	%	Enplaned Passengers	%
Southwest (1)	1,571,027	36.5%	1,819,148	40.0%	1,926,497	41.5%
United-Continental (3)	736,257	17.1%	749,641	16.5%	740,027	15.9%
American	580,540	13.5%	572,283	12.6%	573,563	12.4%
Alaska	431,252	10.0%	398,727	8.8%	407,059	8.8%
Delta (2)	421,923	9.8%	365,191	8.0%	359,422	7.7%
US Airways	225,715	5.2%	225,927	5.0%	236,997	5.1%
Frontier	163,593	3.8%	159,522	3.5%	152,395	3.3%
Commuters	78,578	1.8%	70,520	1.6%	85,253	1.8%
SkyWest (5)	0	0.0%	51,632	1.1%	66,674	1.4%
Interjet (6)	0	0.0%	53,135	1.2%	54,374	1.2%
WestJet (4)	52,582	1.2%	49,731	1.1%	37,891	0.8%
Mesa (7)	17,858	0.4%	20,133	0.4%	2,796	0.1%
Compass Air (5)	30,139	0.7%	12,008	0.3%	0	0.0%
Totals:	<u>4,309,464</u>	<u>100.0%</u>	<u>4,547,598</u>	<u>100.0%</u>	<u>4,642,948</u>	<u>100.0%</u>

NOTES:

- (1) Southwest Airline acquired AirTran Airways in May 2011, and was granted a single operating certificate on March 1, 2012, allowing Southwest and AirTran to operate as one airline. Southwest-AirTran began nonstop daily flights to Cabo San Lucas and Mexico City from John Wayne Airport on June 3, 2012.
- (2) Delta Airline's passenger data included Northwest Airline prior to the merger. A single operating certificate was granted by the FAA in March 2010.
- (3) On October 1, 2010, United Airlines completed its acquisition of Continental Airlines. FAA approved a single operating certificate for United and Continental airlines on November 30, 2011. United and Continental airlines' passenger data were combined in the above presentation for all three fiscal years.
- (4) WestJet introduced one daily nonstop flight to Vancouver on May 2, 2011.
- (5) Compass Air started flight services to Salt Lake City in January 2012 for Delta Connection and ended the operation at John Wayne Airport in September 2012. SkyWest Commercial took over Compass Air's flight destination in September 2012.
- (6) Interjet began nonstop daily flights to Mexico City and Guadalajara from John Wayne Airport on October 11, 2012. Interjet terminated services on July 20, 2014.
- (7) Mesa Airlines terminated services from John Wayne Airport on August 19, 2013.

TABLE 10
JOHN WAYNE AIRPORT
AIRLINE LANDED WEIGHT MARKET SHARE
Fiscal Years 2011-12 through 2013-14

Air Carrier	2011-12		2012-13		2013-14	
	Pounds	%	Pounds	%	Pounds	%
Southwest (1)	2,019,666,000	37.1%	2,276,816,000	40.7%	2,250,530,000	41.1%
United-Continental (3)	924,952,800	17.0%	915,407,000	16.4%	881,517,200	16.1%
American	632,841,500	11.6%	599,719,500	10.7%	597,554,000	10.9%
Alaska	512,762,800	9.4%	459,951,400	8.2%	452,614,400	8.3%
Delta (2)	527,575,800	9.7%	449,237,800	8.0%	445,215,600	8.1%
US Airways	292,806,384	5.4%	287,888,696	5.1%	267,624,388	4.9%
Frontier	185,325,960	3.4%	167,780,840	3.0%	154,786,480	2.8%
Commuters	90,926,000	1.7%	82,683,800	1.5%	94,189,000	1.7%
Interjet (6)	0	0.0%	77,356,800	1.4%	83,329,200	1.5%
FedEx	78,644,000	1.4%	78,292,200	1.4%	78,229,500	1.4%
SkyWest (5)	0	0.0%	59,404,100	1.1%	77,803,600	1.4%
WestJet (4)	70,930,800	1.3%	62,532,800	1.1%	47,278,500	0.9%
UPS	43,890,000	0.8%	43,050,000	0.8%	43,260,000	0.8%
Mesa (7)	22,197,000	0.4%	24,034,500	0.4%	3,087,000	0.1%
Compass Air (5)	37,137,438	0.7%	13,682,214	0.2%	0	0.0%
Totals:	<u>5,439,656,482</u>	<u>100.0%</u>	<u>5,597,837,650</u>	<u>100.0%</u>	<u>5,477,018,868</u>	<u>100.0%</u>

NOTES:

- (1) Southwest Airline acquired AirTran Airways in May 2011, and was granted a single operating certificate on March 1, 2012, allowing Southwest and AirTran to operate as one airline. Southwest-AirTran began nonstop daily flights to Cabo San Lucas and Mexico City from John Wayne Airport on June 3, 2012.
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TABLE 12
JOHN WAYNE AIRPORT
SCHEDULED DEPARTURES
FISCAL YEARS 2009 to 2014

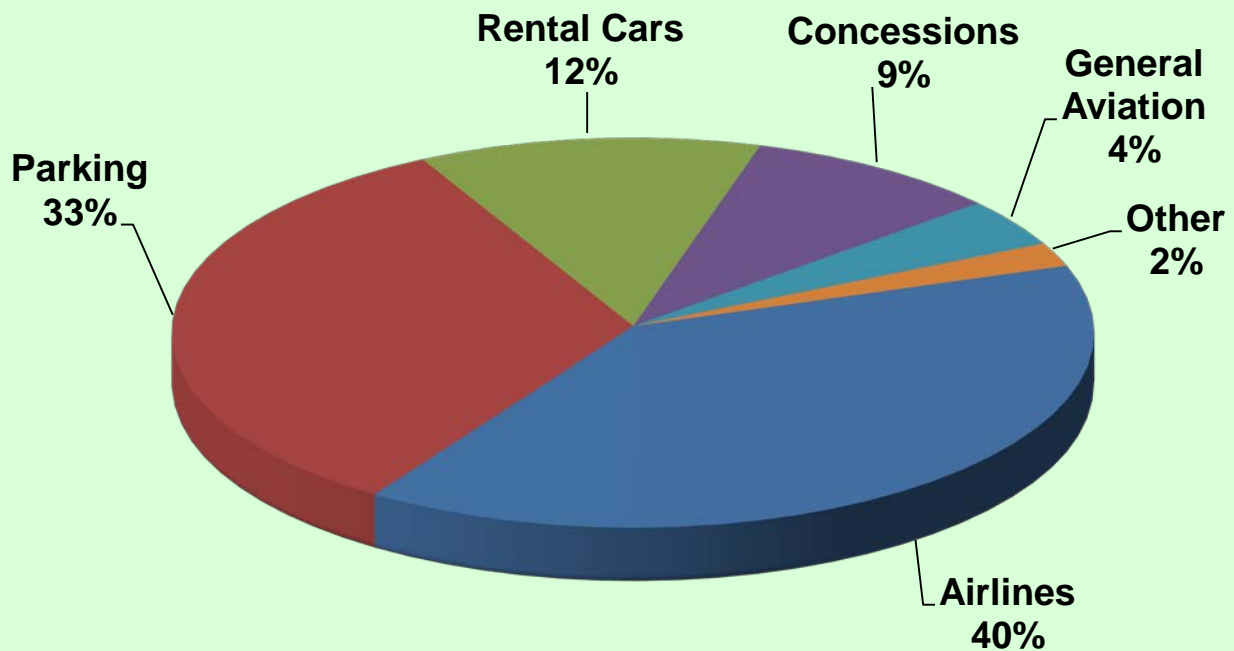
Type of Aircraft	2009	2010	2011	2012	2013	2014
Class A {1}	27,224	27,918	28,239	28,267	28,237	28,820
Class E {2}	19,075	17,258	13,883	12,884	14,045	12,166
Total	<u>46,299</u>	<u>45,176</u>	<u>42,122</u>	<u>41,151</u>	<u>42,282</u>	<u>40,986</u>

NOTES:

{1} The 2003 Amendment to the 1985 Settlement Agreement combined all regulated Class A and Class AA flights into a single class operating at maximum permitted Class A noise levels.

{2} Class E includes Class PE & E air carrier and commuter.

**TABLE 14
JOHN WAYNE AIRPORT
REVENUE SOURCES
FISCAL YEAR 2014**



- Airline revenues include payments received from commercial, commuter and cargo carriers.
- Concessions include food and beverage, gift and sundries, special services, advertising and miscellaneous services and lease rentals.
- Other includes ground transportation, ATM, WIFI and other miscellaneous sources.

TABLE 15
COUNTY OF ORANGE
JOHN WAYNE AIRPORT ENTERPRISE FUND
STATEMENTS OF REVENUES AND EXPENSES
(Prepared on an accrual basis)
(In Thousands)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
REVENUES:					
Airline Terminal Rent (1)	25,785	23,048	24,269	21,816	24,869
Airline Landing Fees	11,970	12,369	12,561	14,536	13,633
Airline Apron Fees	2,549	2,253	2,817	2,555	2,666
Utility & Janitorial Reimbursement	3,884	3,680	4,816	5,211	5,119
Parking	35,508	35,394	35,694	37,728	38,650
Rental Cars	12,531	13,131	13,101	13,464	14,056
Food & Beverage	4,428	4,387	6,053	7,363	7,506
Other Concessions	6,207	6,491	5,770	4,584	5,583
Aircraft Tiedown Fees	1,473	1,480	1,478	1,464	1,481
FBO Fees	2,480	2,604	3,065	3,860	2,655
Ramp Equipment Storage	832	786	1,044	999	999
Interest Revenue	1,371	1,856	759	615	618
Miscellaneous Revenue (2)	1,797	1,701	1,784	1,577	2,258
Total Operating Revenues	<u>110,815</u>	<u>109,180</u>	<u>113,211</u>	<u>115,771</u>	<u>120,091</u>
OPERATING EXPENSES					
Professional and Specialized Services	31,564	33,444	34,426	36,156	38,255
Salaries and Employee Benefits	17,183	17,968	18,494	18,645	18,746
Other Services and Supplies	19,873	19,110	24,708	24,938	27,706
Total Operating Expenses	<u>68,620</u>	<u>70,521</u>	<u>77,628</u>	<u>79,740</u>	<u>84,708</u>
NET REVENUES (3)	42,195	38,659	35,583	36,031	35,384
DEBT SERVICE:					
Series 1997 Refunding Bonds (4)	-	-	-	-	-
Series 2003 Refunding Bonds (5)	(4,656)	(4,655)	(4,657)	(4,661)	-
Series 2009 Revenue Bonds (6)	-	(1,426)	(5,184)	(6,508)	(6,510)
NET REVENUE AFTER DEBT SERVICE PAYMENTS	<u>\$ 37,539</u>	<u>\$ 32,578</u>	<u>\$ 25,742</u>	<u>\$ 24,862</u>	<u>\$ 28,874</u>
Coverage Calculation (7)	9.06	6.36	3.62	3.23	5.44

NOTES:

- (1) Airline Terminal Rent included airlines' share of post September 11, 2001 security costs.
- (2) Includes penalties & forfeitures, ground transportation fees, gate card fees, badge fees, safety classes, and commercial filming net of Reserve Retention required under the indenture.
- (3) Conforms to Series 1987 Bond Indenture definition, net of depreciation expense.
- (4) On May 5, 2009, moneys were placed in an escrow fund to defease the Series 1997 Bonds. The County redeemed all of its outstanding series 1997 Bonds on July 1, 2009.
- (5) The Series 2003 Bonds were issued in May 2003 to refund \$65,250,000 of the Series 1993 Bonds. On July 1, 2013, the County redeemed all the of its outstanding Series 2003 Bonds.
- (6) The 2009 General Airport Revenue Bonds were issued in July 2009 to provide funding for the Airport Improvement Program. Series 2009 Bonds' debt service amounts for fiscal Years 2010 through 2012 were net of capitalized interest.
- (7) The Indenture requires that the Net Revenues for each Fiscal Year must be at least 125% of the Long-Term Debt Service Required for the Fiscal Year.

**ITEM 3.A BOND RELATED ITEMS
JOHN WAYNE AIRPORT
PRINCIPAL AMOUNT OF SERIES BOND OUTSTANDING (1)**

2009 A Bond Series Principal Amount Outstanding as of June 30, 2014 (2)	\$ 62,290,000
2009 B Bond Series Principal Amount Outstanding as of June 30, 2014 (2)	<u>\$ 141,985,000</u>
Total Principal Outstanding - All Series	<u><u>\$ 204,275,000</u></u>

NOTES:

- (1) Scheduled payments are made to the trustee during the fiscal year ending June 30. The trustee pays principal and interest to the bondholders on July 1 of the subsequent fiscal year.
- (2) On July 9, 2009, the Airport issued the Airport Revenue Bonds, Series 2009A and 2009B (2009 Bonds) in the aggregate principal amount of \$233,115,000 with an original issue net premium of \$287,000. The 2009 Bonds were issued to finance a portion of the Airport Improvement Program (AIP), fund the debt service requirement for the bonds, fund capitalized interest on a portion of the bonds and pay costs relating to the issuance of the bonds. The AIP consist of numerous direct improvements to the Airport facilities such as the construction of the new Terminal C, Parking Structure C and two new commuter hold rooms.

**ITEM 3.B
JOHN WAYNE AIRPORT
REVENUE BOND RESERVE ACCOUNTS
RESERVE BALANCES AS OF JUNE 30, 2014**

Bond Series	Reserve Balance		Required Reserve	
2009 A	\$ 4,389,800.06	Note 1	\$ 4,359,164.64	Note 2
2009 B	<u>\$ 9,525,455.06</u>	Note 1	<u>\$ 9,462,226.86</u>	Note 2
TOTAL	<u>\$ 13,915,255.12</u>		<u>\$ 13,821,391.50</u>	

NOTES:

1. Bond reserve account balances for series 2009 A and 2009 B bonds represent total deposit balances and market value of short-term government securities held by the Trustee as of June 30, 2014 (per trustee's statement).
2. 2009 Series A & B Bonds were issued in July 2009, the corresponding required reserve fund balances were established at issuance and held by the Trustee.

ITEM 3.C

Capital Improvement Program

Phase I of John Wayne Airport's \$543 million Capital Improvement Program, covering the new Terminal C, Parking Structure C and other ancillary projects were completed and became fully operational in November 2011. The completion of Terminal C increased the total Riley Terminal square footage by roughly 280,000 square feet. Included in the project were two new commuter terminals, six new loading bridges/gates, new baggage handling system, South Remain-Over-Night aircraft parking apron, a Federal Inspection Services (FIS) area for processing international passengers and flights, additional security checkpoints, and dozens of new dining and shopping concessions. The new Central Utility Plant (CUP) and Cogeneration Facility, opened in March 2011, currently provides approximately 95% of the Airport's power and chilled water needs to heat and cool the terminal complex and power the parking structures.

Other capital expenditures included a state-of-the art Common Use Passenger Processing System (CUPPS) in Terminals A, B and C. CUPPS allows passengers to use any self-serve kiosk to check-in and print boarding passes regardless of which airline they are flying. Airlines can utilize any gate at the terminal, providing them with flexibility and efficiency. A new Parking Access Revenue Control System (PARCS) was installed at all Airport parking structures. The PARCS system gives the Airport the capability to track both parking usage and revenue by electronically managing parking spaces and availability and allows passengers to find parking spaces by knowing how many spaces are available and at which locations.

The completion of a new FIS area in Terminal C allowed for the introduction of non-stop flights from Mexico. Southwest Airlines operates nonstop daily flights to Mexico City and Cabo San Lucas from John Wayne Airport. Southwest will be adding a new nonstop flight to Puerto Vallarta in mid-2015.

Major projects in Phase II of the Capital Improvement Program (CIP II) completed in fiscal year end June 30, 2014 were the new Maintenance Building, Reconstruction of the Perimeter Road West and Seismic Retrofit Elevated Roadway. As of June 30, 2014, the CIP II had a remaining budget of \$61 million. The major projects of the CIP II scheduled in the next three years are the multiple components of the Terminal Improvements and Parking Structure C Phase II. Other projects including Bristol Street Slope Stabilization and Campus/Bristol Right Turn Lane are slated to be completed in 2015. The Paularino Street Gate Improvement is scheduled for 2016 completion.

ITEM 3.D

Status of Significant Legislative, Administrative, and Judicial Challenges to the Airport.

No significant legislative, administrative and judicial challenges to report.

ITEM 3.E

Material Information

Settlement Agreement Amendment:

On September 30, 2014, the County of Orange Board of Supervisors approved an amendment to the John Wayne Airport 1985 Settlement Agreement (Agreement), extending the term through December 31, 2030, and certified the Final Environmental Impact Report 617. The amendment allows the operational capacity at the Airport to remain at currently authorized 10.8 million annual passengers (MAP) through December 31, 2020 and provides for an increase to 11.8 MAP through December 31, 2025 and to 12.2 MAP or 12.5 MAP through December 31, 2030 depending on the actual service level from 2021 to 2025. The amendment maintains the Airport's curfew through December 31, 2035, provides for an increase in the number of regulated flights allocated to passenger commercial carriers at the Airport, and eliminates the limit on permitted number of commercial passenger loading bridges beginning on January 1, 2021. All four signatories have approved the amendment to the Agreement and the Ninth Supplemental Stipulation was approved by the U.S. District Court on October 23, 2014.

SECTION B

*John Wayne Airport Financial Statements For
Fiscal Year Ended June 30, 2014*