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COUNTY OF ORANGE, CALIFORNIA  
AIRPORT REVENUE BONDS, SERIES 2009 A & B  
ANNUAL REPORT  
FOR  
FISCAL YEAR ENDED JUNE 30, 2017

Dated: January 26, 2018

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**COUNTY OF ORANGE, CALIFORNIA  
AIRPORT REVENUE BONDS, SERIES 2009 A & B  
ANNUAL REPORT  
FOR FISCAL YEAR ENDED JUNE 30, 2017**

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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, 2017 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, 2017 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 26, 2018

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) CAP**

<b>Fiscal Years</b>	<b>Total Passengers (1)</b>	<b>MAP Limit (2)</b>
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	10,550,000
2012	8,650,860	10,800,000
2013	9,124,172	10,800,000
2014	9,304,295	10,800,000
2015	9,608,873	10,800,000
2016	10,361,436	10,800,000
2017	10,373,714	10,800,000

NOTES:

(1) Source: JWA Passenger files

(2) The most recent amendment to the Settlement Agreement was approved in 2014 and extended the term through December 31, 2030. The amendment allows the operational capacity at the Airport to remain at currently authorized 10.8 Million Annual Passengers (MAP) through December 31, 2020. The amendment also 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.

**TABLE 9**  
**JOHN WAYNE AIRPORT**  
**AIRLINE ENPLANEMENTS MARKET SHARE**  
**Fiscal Years 2014-15 through 2016-17**

Air Carrier	2014-15		2015-16		2016-17	
	Enplaned Passengers	%	Enplaned Passengers	%	Enplaned Passengers	%
Southwest	2,069,815	43.2%	2,385,979	46.1%	2,221,567	42.9%
American-US Airways (1)	869,519	18.1%	848,073	16.4%	845,755	16.4%
United	668,749	14.0%	663,604	12.8%	719,481	13.9%
Alaska	451,149	9.4%	527,747	10.2%	486,821	9.4%
Delta	374,967	7.8%	383,690	7.4%	446,084	8.6%
SkyWest-Commercial	66,467	1.4%	111,582	2.2%	155,526	3.0%
Frontier	138,999	2.9%	106,125	2.1%	109,635	2.1%
Compass (2)	0	0.0%	15,661	0.3%	86,872	1.7%
Horizon (3)	0	0.0%	14,042	0.3%	42,686	0.8%
WestJet	37,974	0.8%	36,997	0.7%	37,148	0.7%
Commuters	114,682	2.4%	80,072	1.5%	27,186	0.5%
Interjet (4)	258	0.0%	0	0.0%	0	0.0%
Totals:	<u>4,792,579</u>	<u>100.0%</u>	<u>5,173,572</u>	<u>100.0%</u>	<u>5,178,761</u>	<u>100.0%</u>

NOTES:

- (1) Effective November 1, 2015, American Airlines completed its acquisition of US Airways and commenced operating as a single carrier at John Wayne Airport. American Airlines and US Airways passenger data were combined in the above presentation.
- (2) Compass Airlines commenced operations on May 1, 2016.
- (3) Horizon Air commenced operations on March 16, 2016.
- (4) Interjet terminated services on July 20, 2014.

**TABLE 10**  
**JOHN WAYNE AIRPORT**  
**AIRLINE LANDED WEIGHT MARKET SHARE**  
**Fiscal Years 2014-15 through 2016-17**

Air Carrier	2014-15		2015-16		2016-17	
	Pounds	%	Pounds	%	Pounds	%
Southwest	2,310,498,000	42.8%	2,793,760,000	47.3%	2,496,448,000	42.7%
American-US Airways (1)	893,390,416	16.5%	876,704,500	14.8%	853,392,200	14.6%
United	761,401,300	14.1%	752,763,000	12.7%	824,220,900	14.1%
Alaska	481,674,000	8.9%	540,788,600	9.2%	532,367,600	9.1%
Delta	447,667,800	8.3%	445,357,800	7.5%	507,775,500	8.7%
SkyWest-Commercial	74,123,700	1.4%	121,423,426	2.1%	194,014,145	3.3%
Frontier	145,372,880	2.7%	97,488,000	1.7%	100,143,054	1.7%
Compass (2)	0	0.0%	17,127,177	0.3%	97,397,765	1.7%
FedEx	78,319,500	1.4%	78,977,700	1.3%	78,362,400	1.3%
UPS	43,680,000	0.8%	44,310,000	0.8%	46,643,920	0.8%
Horizon (3)	0	0.0%	13,276,250	0.2%	44,707,000	0.8%
WestJet	47,149,300	0.9%	44,048,500	0.7%	43,349,000	0.7%
Commuters	119,736,000	2.2%	83,375,000	1.4%	29,286,000	0.5%
Interjet (4)	284,400	0.0%	0	0.0%	0	0.0%
Totals:	<u>5,403,297,296</u>	<u>100.0%</u>	<u>5,909,399,953</u>	<u>100.0%</u>	<u>5,848,107,484</u>	<u>100.0%</u>

NOTES:

- (1) Effective November 1, 2015, American Airlines completed its acquisition of US Airways and commenced operating as a single carrier at John Wayne Airport. American Airlines and US Airways passenger data were combined in the above presentation.
- (2) Compass Airlines commenced operations on May 1, 2016.
- (3) Horizon Air commenced operations on March 16, 2016.
- (4) Interjet terminated services on July 20, 2014.

**TABLE 12**  
**JOHN WAYNE AIRPORT**  
**SCHEDULED DEPARTURES**  
**FISCAL YEARS 2013 to 2017**

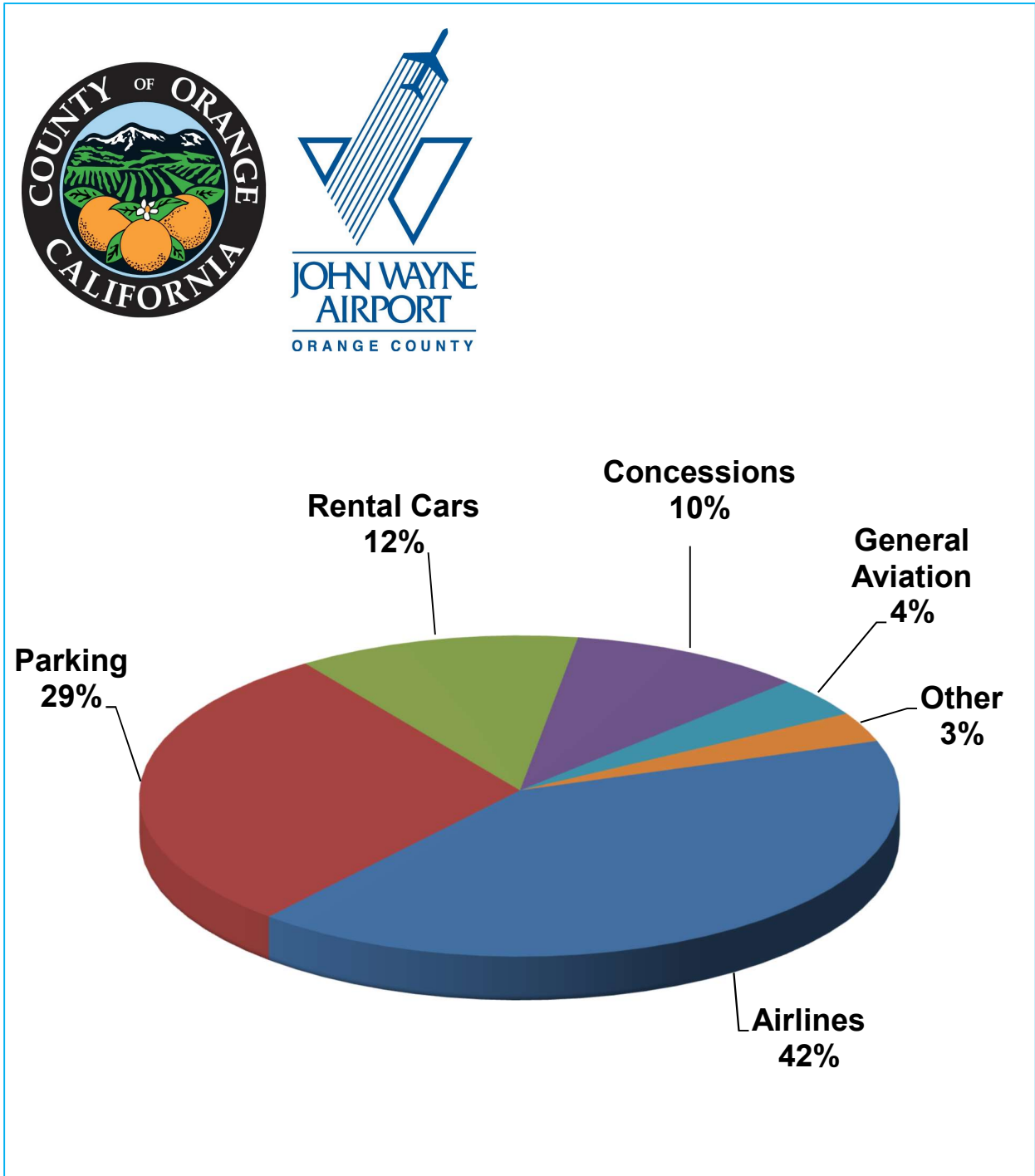
<u>Type of Aircraft</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Class A (1)	28,237	28,820	29,505	29,413	30,386
Class E (2)	14,045	12,166	11,237	15,372	15,052
Total	<u>42,282</u>	<u>40,986</u>	<u>40,742</u>	<u>44,785</u>	<u>45,438</u>

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 both Class E and PE.



**TABLE 14  
JOHN WAYNE AIRPORT  
REVENUE SOURCES  
FISCAL YEAR 2017**



- Airline revenues include payments received from commercial, commuter and cargo carriers.
- Concessions include food and beverage, gift and sundries, special services, advertising, airline related services, 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>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>REVENUES:</b>					
Airline Terminal Rent (1)	21,816	24,869	25,790	28,319	30,537
Airline Landing Fees	14,536	13,633	13,714	15,058	14,429
Airline Apron Fees	2,555	2,666	2,575	2,728	2,666
Utility & Janitorial Reimbursement	5,211	5,119	5,285	5,562	5,671
Parking	37,728	38,650	40,203	40,665	37,669
Rental Cars	13,464	14,056	14,705	15,913	15,933
Food & Beverage	7,363	7,506	7,822	6,442	6,771
Other Concessions	4,584	5,583	6,318	8,802	10,027
Aircraft Tiedown Fees	1,464	1,481	1,558	1,636	1,827
FBO Fees	3,860	2,655	2,726	2,819	3,387
Ramp Equipment Storage	999	999	955	969	963
Interest Revenue	615	618	645	1,842	1,291
Miscellaneous Revenue (2)	1,577	2,258	2,002	1,708	1,345
Total Operating Revenues	<u>115,772</u>	<u>120,093</u>	<u>124,298</u>	<u>132,463</u>	<u>132,516</u>
<b>OPERATING EXPENSES</b>					
Professional and Specialized Services	36,156	38,255	37,391	38,225	40,913
Salaries and Employee Benefits	18,645	18,746	19,142	19,711	19,497
Other Services and Supplies	24,938	27,706	26,024	24,896	28,479
Taxes and other fees (7)	-	-	-	-	166
Total Operating Expenses	<u>79,739</u>	<u>84,707</u>	<u>82,557</u>	<u>82,832</u>	<u>89,055</u>
NET REVENUES (3)	36,033	35,386	41,741	49,631	43,461
<b>DEBT SERVICE:</b>					
Series 2003 Refunding Bonds (4)	(4,661)	-	-	-	-
Series 2009 Revenue Bonds (5)	(6,508)	(6,510)	(6,510)	(6,512)	(6,506)
NET REVENUE AFTER DEBT SERVICE PAYMENTS	<u>\$ 24,864</u>	<u>\$ 28,876</u>	<u>\$ 35,231</u>	<u>\$ 43,119</u>	<u>\$ 36,955</u>
Coverage Calculation (6)	3.23	5.44	6.41	7.62	6.68

**TABLE 15**  
**COUNTY OF ORANGE**  
**JOHN WAYNE AIRPORT ENTERPRISE FUND**  
**STATEMENTS OF REVENUES AND EXPENSES (CONTINUED)**  
**(In Thousands)**

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 the Indenture definition, net of depreciation expense.
- (4) The Series 2003 Bonds were issued in May 2003 to refund \$65,250 of the Series 1993 Bonds. On July 1, 2013, the County redeemed all the of its outstanding Series 2003 Bonds.
- (5) 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.
- (6) 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.
- (7) In Fiscal Year 2017, Taxes and other fees were reclassified to operating expenses in the financial statements.

**ITEM 3.A BOND RELATED ITEMS  
JOHN WAYNE AIRPORT  
PRINCIPAL AMOUNT OF EACH SERIES OF BONDS OUTSTANDING**

2009 A Bond Series Principal Amount Outstanding as of June 30, 2017 (1); (2)	\$ 57,500,000
2009 B Bond Series Principal Amount Outstanding as of June 30, 2017 (1); (2)	<u>\$ 124,160,000</u>
Total Principal Outstanding - All Series	<u><u>\$ 181,660,000</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  
BALANCES AS OF JUNE 30, 2017**

<b>Bond Series</b>	<b>Reserve Balance</b>	<b>Required Reserve</b>
2009 A	\$ 4,422,008.24 Note 1	\$ 4,335,282.95 Note 2
2009 B	<u>\$ 9,472,310.84 Note 1</u>	<u>\$ 6,413,821.02 Note 2</u>
TOTAL	<u><u>\$ 13,894,319.08</u></u>	<u><u>\$ 10,749,103.97</u></u>

NOTES:

1. Bond reserve account balances for the Series 2009 A & B bonds represent total deposit balances and market value of short-term government securities held by the Trustee as of June 30, 2017 (per Trustee's statement).
2. The Series 2009 A & B bonds Average Annual Long Term Debt Service Requirement was calculated by the Trustee on July 11, 2017

## ITEM 3.C

### Capital Improvement Program

The 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 Thomas F. 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 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 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 major capital project completed in the year ended June 30, 2017 was the CUPPS upgrade. In order to allow airlines to comply with the Europay, MasterCard and Visa (EMV) credit card standard, the Airport upgraded the CUPPS by replacing all CUPPS equipment and kiosks to accept the new chip-enabled credit card transactions.

The Airport began its multi-year \$118 million Terminal Improvements Project in January 2016. The project covers numerous safety, code compliance, comfort, convenience and aesthetic improvements to the Thomas F. Riley Terminal. These improvements not only extend the useful lives of the terminal components, but also enhance the existing facilities' aesthetics and infrastructure, allowing guests of the Airport and visitors to Orange County to experience a uniform level of quality throughout the Riley Terminal complex. Included as part of the Terminal enhancements are the new Nursing Mother's Lounge and a new Animal Relief Area located post-security near Gate 12; both were completed in the year ended June 30, 2017. The Terminal Improvements Project is progressing as scheduled and is expected to be completed by the early part of 2019.

The construction of the Paularino Gate Improvements Project began in August 2017 and is expected to run through mid-2018. The work includes utility work, pavement replacement on the south side of Paularino Avenue between Airway Avenue and the perimeter road, and the replacement of the Paularino entry gate. The Project will affect street parking, pedestrian access, entry and exit traffic along Paularino Avenue to the gate, the visitor front office entry and parking at the Airport's Eddie Martin Administration Building.

Other significant capital projects slated for the next three years include the progression of the multi-year Terminal Improvements Project, Taxiway B Rehabilitation, Airport Operations Center, Airport Power Generation and Distribution Upgrades, Parking System EMV Implementation,

Airfield Lighting and Signage Improvements Project and General Aviation Improvement Program.

The capital costs are funded from Airport revenues and Federal Aviation Administration (FAA) Airport Improvement Program grants. As is the case with any substantial capital improvement program, the Airport anticipates encountering many challenges in balancing the current level of operation and high standards for customer service with the substantial construction activity.

### **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**

On July 1, 2017, the Airport partially redeemed the Airport Revenue Bonds, Series 2009B scheduled to mature in 2034 in the amount of \$27,210,000. The early partial redemption will result in total future interest cost savings of \$13,556,150.

**SECTION B**

*John Wayne Airport Financial Statements For  
Fiscal Year Ended June 30, 2017*