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Report to the BOARD OF AIRPORT COMMISSIONERS

Approver:

Tatiana Starostina, Chief Financial Officer
Finance and Budget

Reviewer:

Brian C. Ostler, City Attorney *ty*

Justin Erbacci (Oct 13, 2022 14:59 PDT)

Justin Erbacci, Chief Executive Officer

Meeting Date

10/20/2022

Needs Council Approval: ☒ Y

Reviewed for/by	Date	Approval Status	By
Finance	10/6/2022	<input checked="" type="checkbox"/> Y <input type="checkbox"/> NA	JS
CEQA	10/6/2022	<input checked="" type="checkbox"/> Y	VW
Procurement	10/11/2022	<input checked="" type="checkbox"/> Y <input type="checkbox"/> Cond	GG
Guest Experience	10/6/2022	<input checked="" type="checkbox"/> Y	TB
Strategic Planning	10/11/2022	<input checked="" type="checkbox"/> Y	BNZ

SUBJECT

Request for authorization (1) to issue Department of Airports of the City of Los Angeles, California, Los Angeles International Airport revenue bonds, notes, or other obligations and special facility obligations, in one or more series, in an aggregate principal amount not to exceed \$6 billion; (2) for the private sale and/or competitive sale of such bonds, notes, obligations; (3) to solicit bank direct purchase or private placement of bonds, notes, obligations; and (4) to prepare all related documentation and certain other related matters and actions.

RECOMMENDATIONS

Management RECOMMENDS that the Board of Airport Commissioners:

1. ADOPT the Staff Report.
2. DETERMINE that this action is exempt from the California Environmental Quality Act (CEQA) pursuant to Article II, Section 2.f of the Los Angeles City CEQA Guidelines.
3. AUTHORIZE the issuance of airport revenue bonds, notes, or other obligations (airport revenue bonds) in one or more series, and special facility obligations in one or more series, in an aggregate principal amount not to exceed \$6.0 billion, which the Department expects to issue from time to time from Fiscal Year 2023 through Fiscal Year 2027.
4. FURTHER AUTHORIZE the negotiated sale ("private sale" as referred to in the City of Los Angeles Charter (Charter) of the airport revenue bonds and special facility obligations in accordance with Charter Section 609(d).

5. FURTHER AUTHORIZE the preparation of all documents and other matters related to the negotiated sale of the airport revenue bonds and special facility obligations, the competitive sale of the airport revenue bonds and special facility obligations, and/or a bank direct purchase or private placement of the airport revenue bonds with a lending institution.
6. ADOPT the attached Resolution.

DISCUSSION

1. Purpose

To approve the actions associated with the issuance of Department of Airports of the City of Los Angeles, California (Department), Los Angeles International Airport (LAX) revenue bonds, notes, or other obligations, in one or more series, and the Department's Los Angeles International Airport special facility obligations, in one or more series, in an aggregate principal amount not to exceed \$6.0 billion, which the Department expects to issue from time to time from Fiscal Year 2023 through Fiscal Year 2027.

2. Prior Related Actions/History of Board Actions

- **November 18, 2021 – Resolution No. 27386 (2021 Authorizing Resolution)**

The Board of Airport Commissioners (Board) adopted the 2021 Authorizing Resolution which authorized (i) the issuance and sale of one or more series of the Department's Los Angeles International Airport revenue bonds, notes, or other obligations and special facility obligations in an aggregate principal amount not to exceed \$3.1 billion and (ii) the negotiated sale ("private sale" as referred to in the Charter) of the airport revenue bonds and the special facility obligations in accordance with City of Los Angeles Charter Section 609(d). The 2021 Authorizing Resolution was approved by the City Council on January 11, 2022, and by the Mayor on January 13, 2022. Approximately \$1.238 billion in principal amount remains authorized and unissued under the 2021 Authorizing Resolution.

- **December 16, 2021 – Resolution No. 27406**

The Board approved the selection of underwriting firms for private negotiated sales of all or a portion of the Department's Los Angeles International Airport revenue bonds and the special facility obligations and the Los Angeles World Airports (LAWA) underwriting pool as the selling group for the various bond transactions pursuant to the 2021 Authorizing Resolution (other than for transactions involving a competitive sale of the bonds or the private placement of bonds in the form of a direct loan, revolving line of credit, or other short-term financing instrument from a lending institution) through June 30, 2024.

3. Background

Pursuant to the 2021 Authorizing Resolution, the Board authorized, and the City Council and the Mayor approved, the issuance and sale of one or more series of revenue bonds, notes, and other obligations, and one or more series of special facility obligations in an aggregate

principal amount not to exceed \$3,100,000,000. This authorization is effective until June 30, 2024. To-date, under this Resolution, LAWA has issued \$1,861,625,000 in aggregate revenue bonds which completed the bond funding component of LAWA's existing capital program. The remaining balance of \$1,238,375,000 is expected to be used for a current refunding opportunity of LAWA's existing debt and to partially pre-fund costs of LAWA's next airport capital program.

The next airport capital program is expected to cost approximately \$15 billion and is planned to be funded, in part, with approximately \$11.4 billion in proceeds from future bonds.

4. Current Action/Rationale

Staff requests the Board to authorize the issuance of airport revenue bonds, in one or more series, and special facility obligations, in one or more series, in an aggregate principal amount not to exceed \$6.0 billion, which the Department expects to issue from time to time from Fiscal Year 2023 through Fiscal Year 2027.

This authorization will provide flexibility to pre-fund the next airport capital program and to fund additional refunding opportunities if staff determines that it will be more efficient and will provide financial benefits to LAWA.

Approval of Negotiated Sales

In addition to requesting the Board's approval to issue airport revenue bonds and special facility obligations in the aggregate principal amount of \$6.0 billion, staff is requesting the Board's approval to use negotiated sales with future underwriting teams to be approved by the Board.

Annex A for City of Los Angeles Procedural Requirements (attached) should be consulted regarding the issuance of LAWA's airport revenue bonds and special facility obligations and the sale of such bonds and obligations through the use of negotiated sales.

Approval of Additional Actions

The following actions will be required to manage the issuance of Los Angeles International Airport revenue bonds, notes, or other obligations and special facility obligations:

- To facilitate issuing the airport revenue bonds and special facility obligations, staff will need to prepare certain documents and arrange for various services including the following: legal services for preparing trust indentures and Preliminary and final Official Statements, appointing trustees, selecting printers, acquiring municipal bond insurance (if necessary), and other actions deemed necessary to issue the airport revenue bonds and special facility obligations. These documents and specific actions, including actions related to any private placement of bonds, will be brought before the Board for approval at a later date prior to the sale of each series of airport revenue bonds and special facility obligations.
- The proceeds of the airport revenue bonds and the special facility obligations described in this staff report will be identified to fund ancillary expenditures associated with the transactions, such as capitalized interest, debt service reserve funds, other funds and accounts, the cost of underwriting the bonds and obligations, and costs of issuance (consultants' fees, attorney fees, rating agency fees, printing expenses, etc.).

- The attached Authorizing Resolution will need to be adopted by the Board.

How This Action Advances a Specific Strategic Plan Goal and Objective

This action advances this strategic goal and objective: *Deliver Facilities & Guest Experiences that are Exceptional: Plan collaboratively to improve guest services while delivering capital improvements.*

The issuance of airport revenue bonds, notes, or other obligations and special facility obligations will provide partial funding of LAX's next capital program which is developed to ensure that LAWA can continue to improve guest services and deliver first class facilities at LAX as sought by its airline tenants.

With LAWA's existing capital program on track to substantially modernize and transform LAX into a world class facility by the end of Fiscal Year 2026, the next airport capital program is focused on a) delivering airport capital improvements included in the Airfield and Terminal Modernization Project, b) completing the American Airlines' Terminal 4 Project and c) other potential airport projects identified by Department management, including, but not limited to, construction of an expansion of the Midfield Satellite Concourse.

5. Fiscal Impact

The authorization of debt and the approval of the negotiated method of sale under Section 609 of the Charter and Sections 11.28.1 *et seq.*, of the Los Angeles Administrative Code is a procedural requirement that must be completed before individual debt transactions are approved by the Board. There is no actual fiscal impact until the Board approves the documents required for each transaction. Future approvals of bond issues will require additional annual appropriations for debt service costs incurred in repaying the debt.

The financial analysis set forth in the Report of the Airport Consultant, prepared by WJ Advisors LLC, LAWA's bond feasibility consultant, in connection with the issuance of LAWA's senior airport revenue bonds Series 2022 G/H/I Bonds, concluded that the Department will be able to generate sufficient Net Pledged Revenues to meet the debt service coverage requirements of the Senior Indenture and the Subordinate Indenture, considering annual debt service on currently outstanding debt of \$10.8 billion and on the issuance of \$13 billion in aggregate principal of additional airport revenue bonds to fund capital projects in LAX's next capital program, expected to be completed by Fiscal Year 2028-29. Staff will present an update of these metrics to the Board prior to the approval of bond documents for each issuance of airport revenue bonds issued under this authorization.

6. Alternatives Considered

- ***Issue Less Debt***

Staff has developed a preliminary financing plan in support of the next capital program at LAX. Staff has efficiently utilized a number of funding sources to finance capital investments, including grants, Passenger Facility Charges, Customer Facility Charges, airport cash, and debt. While some amount of the currently assumed future debt could be reduced by using greater amounts of LAX's unrestricted cash reserves, lower levels of cash reserves would significantly reduce LAX's ability to absorb the financial impacts of an operational disruption or interruptions in access to the capital financing markets.

- ***Use Alternative Financing Approach***

Alternative project delivery methods have emerged in recent years presenting alternatives to traditional financing approaches. These approaches generally include private financing and/or conduit debt financing that would exist outside of LAWA's balance sheet (at some premium to LAWA's cost of financing) and would typically be connected to long-term agreements between LAWA and a third party. To-date, LAWA has selectively utilized these approaches in its plan of finance and continues to evaluate opportunities where the benefits of innovation and balance sheet relief are attractive in comparison to incremental cost.

APPROPRIATIONS

No appropriation of funds is required for this action.

STANDARD PROVISIONS

1. This item, as a continuing administrative, maintenance and personnel-related activity, is exempt from California Environmental Quality Act (CEQA) requirements pursuant to Article II, Section 2.f of the Los Angeles City CEQA Guidelines.
2. The City Attorney has reviewed this item.
3. Actions taken on this item by the Board of Airport Commissioners will become final pursuant to the provisions of Los Angeles City Charter Section 609 and Section 11.28.1 et seq. of the Administrative Code.
4. This action is not subject to the provisions of the Living Wage/Service Contractor Worker Retention Ordinances.
5. This action is not subject to the provisions of the Business Enterprise (BE) Programs.
6. This action is not subject to the provisions of the Affirmative Action Program.
7. This action does not require a Business Tax Registration Certificate number.
8. This action is not subject to the provisions of the Child Support Obligations Ordinance.
9. This action is not subject to the insurance requirements of the Los Angeles World Airports.
10. This action is not subject to the provisions of Charter Section 1022 (Use of Independent Contractors).
11. This action is not subject to the provisions of the Contractor Responsibility Program.
12. This action is not subject to the provisions of the Equal Benefits Ordinance.
13. This action is not subject to the provisions of the First Source Hiring Program.
14. This action is not subject to the provisions of Bidder Contributions CEC Form 55.

15. This action is not subject to the provisions of MLO Bidder Contributions CEC Form 50.

16. This action is not subject to the provisions of the Iran Contracting Act.

Attachments:

Annex A
Resolution

City of Los Angeles Procedural Requirements

Pursuant to Section 609 of the Charter and Sections 11.28.1 and 11.28.2 of the Los Angeles Administrative Code, the Board, the City Council and the Mayor are all required to approve the issuance of LAWA's airport revenue bonds and special facility obligations, and such approval is the first of two steps required for LAWA to issue its airport revenue bonds and special facility obligations.

Step 1 (action currently being considered) - The Board, the City Council and the Mayor must approve the issuance of LAWA's airport revenue bonds and special facility obligations. If a negotiated sale is to be used to sell the airport revenue bonds and special facility obligations, the Board and City Council must approve the use of a negotiated sale(s). With respect to the underwriting team(s) that will sell the airport revenue bonds and special facility obligations, the Board approves the selection of such teams and the City Council must be given an opportunity to disapprove the selection of the underwriting team(s); and

Step 2 (future action required) – The Board must approve all financing and disclosure documents necessary to effect the sale of each bond issue. These documents include, among others, senior and subordinate supplemental trust indentures, special facility trust indentures, bond purchase agreements (for negotiated sales), revolving credit/lending agreements (for a direct loan/revolving line of credit/short term financing instrument) and bond official statements. Included in these documents will be detailed plans of finance and further descriptions of current and future projects expected to be funded by bond proceeds.

Authorization of Negotiated Sale

Municipal bonds can be issued through either a competitive sale or a negotiated sale. In a competitive sale, underwriters submit sealed bids on a predetermined date and the bonds are awarded to the underwriter providing the lowest true interest cost. The winning underwriting firm then sells the bonds to interested investors. In a negotiated public sale, the underwriters are selected prior to the sale of the bonds and have the opportunity to work with the issuer and other members of the financing team to determine the optimal structure and timing of the financing. The underwriter will act on the issuer's behalf to market and sell the bonds to investors with the goal of achieving the lowest cost of borrowing. Since a negotiated sale actively engages the services of the underwriters prior to the sale of the bonds, it provides an opportunity to educate investors and generate interest in the sale of the bonds as well as allows greater flexibility in determining the timing of the sale. Both of these factors have the potential to reduce the costs of borrowing.

Section 609(d) of the Charter and Section 11.28.4 of the Los Angeles Administrative Code allow LAWA to sell its airport revenue bonds and special facility obligations through a competitive bidding process or through a negotiated sale. The Chief Financial Officer (CFO) evaluated LAWA's options to issue the airport revenue bonds and special facility obligations described in this Staff Report and determined that a negotiated sale provides the greatest benefit to LAWA for the following reasons:

- **Unique risks associated with airport revenue bonds and special facility obligations.** LAWA will be issuing airport revenue bonds whose debt service will be paid from LAX revenues, and special facility obligations whose debt service will be paid from special facility revenues. Investors associate these bonds with event risks

such as economic downturns, airline bankruptcies and, in the case of the expected issuance of special facility obligations, the level of rental car use at LAX. For these reasons, airport revenue bonds and special facility obligations can benefit from the extensive disclosure, marketing and education on the issuer's and other parties (i.e. rental car companies) financial condition that a negotiated sale provides.

- **Opportunity to expand investor base and potential to lower borrowing costs.** Due to the extensive pre-marketing effort, a negotiated sale lends itself to maintaining and broadening the investor base for an issuer. As LAWA continues to issue more debt, it is important that it generate higher levels of investor interest and maintain a steady stream of potential investors because it plays a critical role in keeping borrowing costs low.
- **Flexibility to address changes in the market and investor base.** The supply and demand for municipal bonds, industry news and events external to the municipal bond market can change investor demand with great and unpredictable frequency. A negotiated sale enables LAWA, with the assistance of its financial advisors and underwriters, to make prudent adjustments to the structure, interest rates or call features of the airport revenue bonds and special facility obligations to address unexpected shifts in investor demand and achieve lower costs of borrowing.

RESOLUTION NO. _____

RESOLUTION OF THE DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES
AUTHORIZING THE ISSUANCE AND SALE OF NOT TO EXCEED SIX BILLION
DOLLARS (\$6,000,000,000) IN AGGREGATE PRINCIPAL AMOUNT OF ONE OR MORE
SERIES OF REVENUE BONDS, NOTES AND OTHER OBLIGATIONS PAYABLE FROM
THE AIRPORT REVENUE FUND, AND ONE OR MORE SERIES OF LAX SPECIAL
FACILITY OBLIGATIONS, AND CERTAIN ACTIONS WITH RESPECT THERETO

WHEREAS, the Department of Airports of The City of Los Angeles (the "Department") wishes to provide for the issuance and/or incurrence, of

(i) one or more series, of revenue bonds, notes and other obligations of the Department payable from the Los Angeles International Airport Revenue Account (the "LAX Revenue Account") of the Airport Revenue Fund (collectively the "Revenue Bonds") to (1) pay and/or reimburse the Department for capital expenditures incurred or to be incurred by the Department at Los Angeles International Airport ("LAX"), (2) if determined by a Designated Officer (as hereinafter defined) to be in the best interest of the Department, refund all or a portion of the Department's Los Angeles International Airport, Subordinate Revenue Commercial Paper Notes, Series A (Governmental – Non-AMT), Series B Notes (Private Activity - AMT), Series C (Federally Taxable) and Series D (Private-Activity – Non-AMT) (collectively, the "Refunded Notes"), (3) if determined by a Designated Officer to be in the best interest of the Department, refund all or a portion of any bonds or other obligations issued by the Department, the Regional Airports Improvement Corporation or the California Municipal Finance Authority to finance or refinance projects and improvements at LAX (collectively, the "Refunded Bonds"), (4) if necessary or determined by a Designated Officer to be in the best interest of the Department, fund or provide for the funding of one or more debt service reserve funds for the Revenue Bonds, (5) if necessary or determined by a Designated Officer to be in the best interest of the Department, provide credit and/or liquidity support for all or a portion of the Revenue Bonds, (6) if necessary or determined by a Designated Officer to be in the best interest of the Department, fund capitalized interest on the Revenue Bonds, and (7) pay the financing costs and the costs of issuing the Revenue Bonds; and

(ii) one or more series, of LAX Special Facility Obligations (as defined in the hereinafter defined Master Senior Indenture) to (1) pay and/or reimburse the Department or such other parties for capital expenditures incurred or to be incurred by the Department or such other parties with respect to one or more LAX Special Facilities (as defined in the Master Senior Indenture), (2) if determined by a Designated Officer to be necessary and/or advantageous in selling the LAX Special Facility Obligations, fund or provide for the funding of one or more debt service reserve funds and such other funds for the LAX Special Facility Obligations, (3) if determined by a Designated Officer to be necessary and/or advantageous in selling the LAX Special Facility Obligations, provide credit and/or liquidity support for all or a portion of the LAX Special Facility Obligations, (4) if determined by a Designated Officer to be necessary and/or advantageous in selling the LAX Special Facility Obligations, fund capitalized interest on the LAX Special Facility Obligations, and (5) pay the financing costs and the costs of issuing the LAX Special Facility Obligations; and

WHEREAS, the Department is authorized under Section 609 of the Charter of the City of Los Angeles (the "Charter") and the Procedural Ordinance related thereto (Section 11.28.1 *et seq.* of the City of Los Angeles Administrative Code) (the "Procedural Ordinance" or the "Los Angeles Administrative Code"), with the approval of the City Council of the City of Los Angeles (the "City Council") and the Mayor of the City of Los Angeles (the "Mayor"), to issue the Revenue Bonds payable from the LAX Revenue Account of the Airport Revenue Fund in accordance with the provisions of the Charter and the Procedural Ordinance (i) payable on a parity with the Department's existing senior bonded indebtedness and/or on a parity with the Department's existing subordinate bonded indebtedness and/or on a basis subordinate to

the Department's existing subordinate bonded indebtedness, and/or (ii) payable from such other fees, charges, rentals and revenues deposited to the LAX Revenue Account not otherwise pledged to the payment of the Department's existing senior bonded indebtedness or existing subordinate bonded indebtedness; and

WHEREAS, the Department is authorized under the Charter and the Procedural Ordinance, with the approval of the City Council and the Mayor, and pursuant to Section 5.07 of the Master Trust Indenture, dated as of April 1, 1995, as amended (the "Master Senior Indenture"), by and between the Department, acting through the Board of Airport Commissioners of the City of Los Angeles (the "Board"), and The Bank of New York Mellon Trust Company, N.A., formerly known as The Bank of New York Mellon Trust Company, N.A. (formerly known as The Bank of New York Trust Company, N.A.), successor in interest to BNY Western Trust Company, successor in interest to U.S. Trust Company of California, N.A., as trustee, to issue LAX Special Facility Obligations payable from LAX Special Facilities Revenue (as defined in the Master Senior Indenture) and such other moneys, including Pledged Revenues (as defined in the Master Senior Indenture), as provided in the Master Senior Indenture; and

WHEREAS, the Department intends to sell Revenue Bonds and/or LAX Special Facility Obligations, from time to time, pursuant to (a) private sale(s) utilizing a team of underwriters to be selected by the Department, and/or (b) through one or more private placements to one or more lending institutions selected by the Department pursuant to a competitive bidding process, if applicable, and/or (c) if determined by a Designated Officer to be in the best interest of the Department, a competitive bidding process; and

WHEREAS, pursuant to Section 11.28.4(a) of the Los Angeles Administrative Code, the Chief Financial Officer of the Department has determined or will determine, as the case may be, that if the Revenue Bonds and/or LAX Special Facility Obligations are sold pursuant to one or more private sales, such private sales will be of benefit to and in the financial interest of the Department and the Chief Financial Officer has provided or will provide, as the case may be, a written report stating such determination and the reasons therefor; and

WHEREAS, the Department has determined that in connection with the issuance and sale of the Revenue Bonds and the LAX Special Facility Obligations it will be necessary and beneficial to, among other things, as applicable, request proposals from municipal bond insurers, request proposals from banks that provide letters of credit and/or liquidity facilities, request proposals from banks and other lending institutions that provide direct loans, revolving lines of credit and/or other short-term financing instruments, prepare one or more senior and/or subordinate supplemental trust indentures or such other trust indentures, prepare one or more preliminary and/or final official statements or such other offering document approved by a Designated Officer with respect to the Revenue Bonds and the LAX Special Facility Obligations, prepare one or more bond purchase agreements to be entered into with one or more underwriters, prepare one or more notice(s) inviting bids in connection with any competitive bidding process, prepare one or more reimbursement agreements, credit agreements or other agreements to be entered into with the bank(s) and/or other lending institutions providing letters of credit, liquidity facilities, direct loans, revolving lines of credit, and/or other short-term financing instruments, and prepare such other documents that may be necessary in connection with the issuance of the Revenue Bonds and the LAX Special Facility Obligations; and

WHEREAS, pursuant to Resolution No. 27386 adopted by the Board on November 18, 2021 ("Resolution No. 27386"), the Department is authorized to, among other things, issue Revenue Bonds and LAX Special Facility Obligations in an aggregate principal amount not to exceed \$3.1 billion, approximately \$1.238 billion of which remains authorized and unissued; and

WHEREAS, pursuant to Resolution No. 27406 adopted by the Board on December 16, 2021 ("Resolution No. 27406"), the Board approved the selection of certain investment banks as the underwriters of the Revenue Bonds and the LAX Special Facility Obligations in an aggregate principal amount of not to exceed approximately \$2.422 billion (approximately \$1.238 billion of which remains authorized and unissued); and

NOW THEREFORE, in accordance with the provisions of Section 609 of the Charter and Section 11.28.1 *et seq.* of the Los Angeles Administrative Code, the Board hereby resolves as follows:

Section 1. Recitals and Board Report. The Board hereby declares that each of the foregoing recitals is true and correct and is a representation of the Board. The Board also hereby approves the "Report to the Board of Commissioners" that was prepared by the Department in connection with this Resolution and provided to the Board.

Section 2. Authorization of Revenue Bonds and LAX Special Facility Obligations.

(a) The Board hereby authorizes the Department pursuant to the Charter and the Procedural Ordinance to issue its Revenue Bonds in one or more series to (1) pay and/or reimburse the Department for capital expenditures incurred or to be incurred by the Department at LAX, (2) if determined by the Chief Executive Officer (including any person serving in an acting or interim capacity), any Deputy Executive Director (including any person serving in an acting or interim capacity), the Chief Operating Officer (including any person serving in an acting or interim capacity), the Chief Financial Officer (including any person serving in an acting or interim capacity), the Director of Finance (including any person serving in an acting or interim capacity) or any written designee of the Chief Executive Officer (each a "Designated Officer") to be in the best interest of the Department, refund all or a portion of the Refunded Notes, (3) if determined by a Designated Officer to be in the best interest of the Department, refund all or a portion of the Refunded Bonds, (4) if necessary or determined by a Designated Officer to be in the best interest of the Department, fund or provide for the funding of one or more debt service reserve funds for the Revenue Bonds, (5) if necessary or determined by a Designated Officer to be in the best interest of the Department, provide credit and/or liquidity support for all or a portion of the Revenue Bonds, (6) if necessary or determined by a Designated Officer to be in the best interest of the Department, fund capitalized interest on the Revenue Bonds, and (7) pay the financing costs and the costs of issuing the Revenue Bonds.

(b) The Board hereby authorizes the Department pursuant to the Charter, the Procedural Ordinance and the Master Senior Indenture to issue its LAX Special Facility Obligations in one or more series to, among other things (1) pay and/or reimburse the Department or such other parties for capital expenditures incurred or to be incurred by the Department or such other parties with respect to one or more LAX Special Facilities, (2) if determined by a Designated Officer to be necessary and/or advantageous in selling the LAX Special Facility Obligations, fund or provide for the funding of one or more debt service reserve funds and such other funds for the LAX Special Facility Obligations, (3) if determined by a Designated Officer to be necessary and/or advantageous in selling the LAX Special Facility Obligations, provide credit and/or liquidity support for all or a portion of the LAX Special Facility Obligations, (4) if determined by a Designated Officer to be necessary and/or advantageous in selling the LAX Special Facility Obligations, fund capitalized interest on the LAX Special Facility Obligations, and (5) pay the financing costs and the costs of issuing the LAX Special Facility Obligations.

(c) The Revenue Bonds and the LAX Special Facility Obligations shall be subject to the following provisions: (i) the proceeds of the Revenue Bonds may be used for the purposes set forth above under paragraph (a); (ii) the proceeds of the LAX Special Facility Obligations may be used for the purposes set forth above under paragraph (b); (iii) the aggregate maximum principal amount of Revenue Bonds and LAX Special Facility Obligations which may be issued under this Resolution shall not exceed \$6,000,000,000 (the "New Authorization"); (iv) no Revenue Bonds or LAX Special Facility Obligations issued under this authorization shall have a term longer than 35 years from their respective date(s) of issue; and (v) no Revenue Bonds or LAX Special Facility Obligations issued under this Resolution shall bear interest at a rate exceeding twelve percent (12%) per annum or such lesser or greater maximum rate as shall then be permitted by law; provided, however, that this interest rate limitation shall not preclude the Department from incurring one or more repayment obligations under liquidity support agreements, reimbursement agreements, credit agreements, direct loan agreements and/or such other short-term lending

agreements at such higher rates as are set out in such documents, provided such rates are not in excess of the maximum rates permitted by law. The principal amount of Revenue Bonds and LAX Special Facility Obligations authorized pursuant to this Section 2 is in addition to the remaining principal amount of Revenue Bonds and LAX Special Facility Obligations (approximately \$1.238 billion) previously authorized pursuant to Resolution No. 27386.

Section 3. Revenue Bonds Are Payable From Airport Revenue Fund. The Revenue Bonds shall be payable by the Department from the LAX Revenue Account of the Airport Revenue Fund in accordance with the Charter and shall have such priority on the moneys in the LAX Revenue Account of the Airport Revenue Fund as shall be set forth in the financing documents providing for the issuance of the Revenue Bonds, which financing documents shall be approved by this Board at a later date. Said Revenue Bonds may be made payable (i) on a parity with the Department's existing senior bonded indebtedness and/or on a parity with the Department's existing subordinate bonded indebtedness and/or on a basis subordinate to the Department's existing subordinate bonded indebtedness, and/or (ii) from such other fees, charges, rentals and revenues deposited to the LAX Revenue Account of the Airport Revenue Fund not otherwise pledged to the payment of the Department's existing senior bonded indebtedness or existing subordinate bonded indebtedness. The Revenue Bonds may be issued so that the interest thereon shall be excluded from gross income for federal income tax purposes or not excluded therefrom or as a combination thereof, and may be issued so that the interest thereon is payable at fixed interest rates or at variable or adjustable interest rates or at such rates in combination thereof determined in such manner as shall be acceptable to the Department.

Section 4. LAX Special Facility Obligations Are Payable From LAX Special Facilities Revenues. The LAX Special Facility Obligations shall be payable from LAX Special Facilities Revenue (as defined in the Master Senior Indenture) and such other moneys, including Pledged Revenues (as defined in the Master Senior Indenture), as provided in the Master Senior Indenture, as shall be set forth in the financing documents providing for the issuance of the LAX Special Facility Obligations, which financing documents shall be approved by this Board at a later date. If provided in the financing documents providing for the issuance of the LAX Special Facility Obligations, any pledge of Pledged Revenues may be made on a parity with the Department's existing senior bonded indebtedness and/or on a parity with the Department's existing subordinate bonded indebtedness and/or on a basis subordinate to the Department's existing subordinate bonded indebtedness. The LAX Special Facility Obligations may be issued so that the interest thereon shall be excluded from gross income for federal income tax purposes or not excluded therefrom or as a combination thereof, and may be issued so that the interest thereon is payable at fixed interest rates or at variable or adjustable interest rates or at such rates in combination thereof determined in such manner as shall be acceptable to the Department.

Section 5. Private Sales Authorized (Negotiated Underwriting). If determined by a Designated Officer to be in the best interest of the Department, all or a portion of the Revenue Bonds and all or a portion of the LAX Special Facility Obligations may be sold pursuant to one or more private sales accomplished through one or more private negotiated sale(s) to or through underwriters selected, from time to time, by the Department, such sales being evidenced by one or more underwriting agreements or bond purchase agreements approved, from time to time, by the Department.

Section 6. Selection of Underwriting Firms. Pursuant to Resolution No. 27406, the Board approved the selection of certain investment banks as the underwriters for the private negotiated sales of the Revenue Bonds and the LAX Special Facility Obligations (collectively, the "Existing Underwriters"). The Board hereby ratifies and confirms its selection of the Existing Underwriters pursuant to Resolution No. 27406, and selects the Existing Underwriters as the underwriters for the private negotiated sale(s) of one or more series of Revenue Bonds and one or more series of the LAX Special Facility Obligations in an aggregate principal amount of not to exceed \$1,238,375,000 (the remaining principal amount of Revenue Bonds previously authorized pursuant to Resolution No. 27386). As of the date hereof, Department staff expects to seek proposals from investment banks (the "New Underwriters") in early 2023 that will be the underwriters for the private negotiated sales of Revenue Bonds and LAX Special Facility Obligations in an aggregate principal amount not to exceed \$6.0 billion plus any remaining principal amount of Revenue

Bonds and LAX Special Facility Obligations authorized pursuant to Resolution No. 27386 not otherwise sold by the Existing Underwriters. The New Underwriters shall be approved by this Board at a later date.

Section 7. Submission of Resolution to Mayor and City Council. In accordance with the Charter and the Procedural Ordinance, the Board hereby authorizes the transmittal and submission of this Resolution to the Mayor and the City Council for their respective approvals. By the submission of this Resolution to the City Council for approval pursuant to Section 11.28.2 of the Los Angeles Administrative Code, the Board hereby provides the City Council an opportunity to disapprove the selection of the Existing Underwriters, as required under Section 609(d)(3) of the Charter and Section 11.28.4(b) of the Los Angeles Administrative Code.

Section 8. Authorization to Proceed with Documents. The officers, agents and employees of the Department are hereby authorized, empowered and directed to take such preliminary actions as they deem necessary and appropriate with regards to the preparation of documents for the issuance and sale of the Revenue Bonds and the LAX Special Facility Obligations, the potential refunding of the Refunded Notes, and the potential refunding of the Refunded Bonds, including, but not limited to, the preparation of one or more senior and/or subordinate supplemental trust indentures or other trust indentures, the preparation of one or more preliminary official statements with respect to the Revenue Bonds and the LAX Special Facility Obligations, the preparation of one or more bond purchase agreements to be entered into by the Department with one or more of the Existing Underwriters and/or the New Underwriters (once approved by the Board and not otherwise disapproved by the City Council pursuant to Section 11.28.2 of the Los Angeles Administrative Code) pursuant to one or more private negotiated sale(s), the preparation of one or more notices inviting bids to be used in connection with one or more competitive bidding processes, the solicitation of proposals from and negotiating with letter of credit banks and/or liquidity facility providers and/or bond insurers, the solicitation of proposals from and negotiating with banking and other lending institutions that agree to purchase Revenue Bonds and/or LAX Special Facility Obligations from the Department pursuant to a private placement in the form of a direct loan, revolving line of credit or other short-term financing instrument, the application for bond ratings, the solicitation of proposals from and negotiating with trustees and paying agents, and publishing and sending any notices regarding the refunding of the Refunded Notes and the Refunded Bonds.

Section 9. California Environmental Quality Act. This action, as a continuing administrative activity, is exempt from the requirements of the California Environmental Quality Act ("CEQA") as provided by Article II, Section 2.f. of the Los Angeles City CEQA Guidelines, as amended.

Section 10. Effective Date. This Resolution shall take effect upon approval by the Mayor and City Council in the manner and at the time set forth in the Charter, including Section 11.28.2 *et seq.* of the Los Angeles Administrative Code.

I hereby certify that the foregoing is a true and correct copy of Resolution No. _____, adopted by the Board of Airport Commissioners at a regular meeting held on October 20, 2022.

Grace Miguel – Secretary
BOARD OF AIRPORT COMMISSIONERS