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COUNTY OF ORANGE, CALIFORNIA  
AIRPORT REVENUE BONDS, SERIES 2009 A & B  
ANNUAL REPORT  
FOR  
FISCAL YEAR ENDED JUNE 30, 2015

Dated: January 25, 2016

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**COUNTY OF ORANGE, CALIFORNIA  
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ANNUAL REPORT  
FOR FISCAL YEAR ENDED JUNE 30, 2015**

**Table of Contents**

**INTRODUCTION**..... 1

**SECTION A**

Update to charts and tables contained in the Official Statement  
relating to the Series 2009 Bonds..... 2

**AIRPORT OPERATIONS**

Table 8 - Historical Passenger Activity, Million Annual Passenger Cap..... 3

Table 9 - Airline Enplanements Market Share..... 4

Table 10 - Airline Landed Weight Market Share..... 5

Table 12 - Scheduled Departures..... 6

**FINANCIAL FACTORS**

Table 14 - Revenue Sources..... 7

Table 15 - Statement of Revenues and Expenses ..... 8

**BOND RELATED ITEMS**

Additional items required by the Continuing Disclosure Certificate with  
respect to the Bonds.

Item 3.a – Principal amount of each Series of Bonds outstanding..... 10

Item 3.b – Balance in the Revenue Bond Reserve Account..... 11

Item 3.c, 3.d and 3.e – Capital Improvement Project Status; Significant  
Legislative, Administrative, and Judicial Challenges to the Airport;  
Material Information..... 12

**SECTION B**

John Wayne Airport Audited Financial Statements  
Fiscal Year Ended June 30, 2015 ..... 14

## **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, 2015 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, 2015 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 25, 2016

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**

<b>Fiscal Years</b>	<b>Total Passengers (1)</b>	<b>MAP Limit</b>
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
2015	9,608,873	10,800,000

(1) Source: JWA Passenger files

**TABLE 9**  
**JOHN WAYNE AIRPORT**  
**AIRLINE ENPLANEMENTS MARKET SHARE**  
**Fiscal Years 2012-13 through 2014-15**

Air Carrier	2012-13		2013-14		2014-15	
	Enplaned Passenger s	%	Enplaned Passenger s	%	Enplaned Passenger s	%
Southwest (1)	1,819,148	40.0%	1,926,497	41.5%	2,069,815	43.2%
United (3)	749,641	16.5%	740,027	15.9%	668,749	14.0%
American	572,283	12.6%	573,563	12.4%	655,791	13.7%
Alaska	398,727	8.8%	407,059	8.8%	451,149	9.4%
Delta (2)	365,191	8.0%	359,414	7.7%	374,967	7.8%
US Airways	225,927	5.0%	236,997	5.1%	213,728	4.5%
Frontier	159,522	3.5%	152,395	3.3%	138,999	2.9%
Commuters	70,520	1.6%	85,253	1.8%	114,682	2.4%
SkyWest (5)	51,632	1.1%	66,674	1.4%	66,467	1.4%
WestJet (4)	49,731	1.1%	37,891	0.8%	37,974	0.8%
Interjet (6)	53,135	1.2%	54,374	1.2%	258	0.0%
Mesa (7)	20,133	0.4%	2,796	0.1%	0	0.0%
Compass Air (5)	12,008	0.3%	0	0.0%	0	0.0%
Totals:	<u>4,547,598</u>	<u>100.0%</u>	<u>4,642,948</u>	<u>100.0%</u>	<u>4,792,579</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 2012-13 through 2014-15**

Air Carrier	2012-13		2013-14		2014-15	
	Pounds	%	Pounds	%	Pounds	%
Southwest (1)	2,276,816,000	40.7%	2,250,530,000	41.1%	2,310,498,000	42.8%
United (3)	915,407,000	16.4%	881,517,200	16.1%	761,401,300	14.1%
American	599,719,500	10.7%	597,554,000	10.9%	667,056,000	12.3%
Alaska	459,951,400	8.2%	452,614,400	8.3%	481,674,000	8.9%
Delta (2)	449,237,800	8.0%	445,215,600	8.1%	447,667,800	8.3%
US Airways	287,888,696	5.1%	267,624,388	4.9%	226,334,416	4.2%
Frontier	167,780,840	3.0%	154,786,480	2.8%	145,372,880	2.7%
Commuters	82,683,800	1.5%	94,189,000	1.7%	119,736,000	2.2%
FedEx	78,292,200	1.4%	78,229,500	1.4%	78,319,500	1.4%
SkyWest (5)	59,404,100	1.1%	77,803,600	1.4%	74,123,700	1.4%
WestJet (4)	62,532,800	1.1%	47,278,500	0.9%	47,149,300	0.9%
UPS	43,050,000	0.8%	43,260,000	0.8%	43,680,000	0.8%
Interjet (6)	77,356,800	1.4%	83,329,200	1.5%	284,400	0.0%
Mesa (7)	24,034,500	0.4%	3,087,000	0.1%	0	0.0%
Compass Air (5)	13,682,214	0.2%	0	0.0%	0	0.0%
<b>Totals:</b>	<b>5,597,837,650</b>	<b>100.0%</b>	<b>5,477,018,868</b>	<b>100.0%</b>	<b>5,403,297,296</b>	<b>100.0%</b>

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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- (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.

Source: JWA Accounting Revenue Projection files, Landed Weight worksheets

**TABLE 12**  
**JOHN WAYNE AIRPORT**  
**SCHEDULED DEPARTURES**  
**FISCAL YEARS 2010 to 2015**

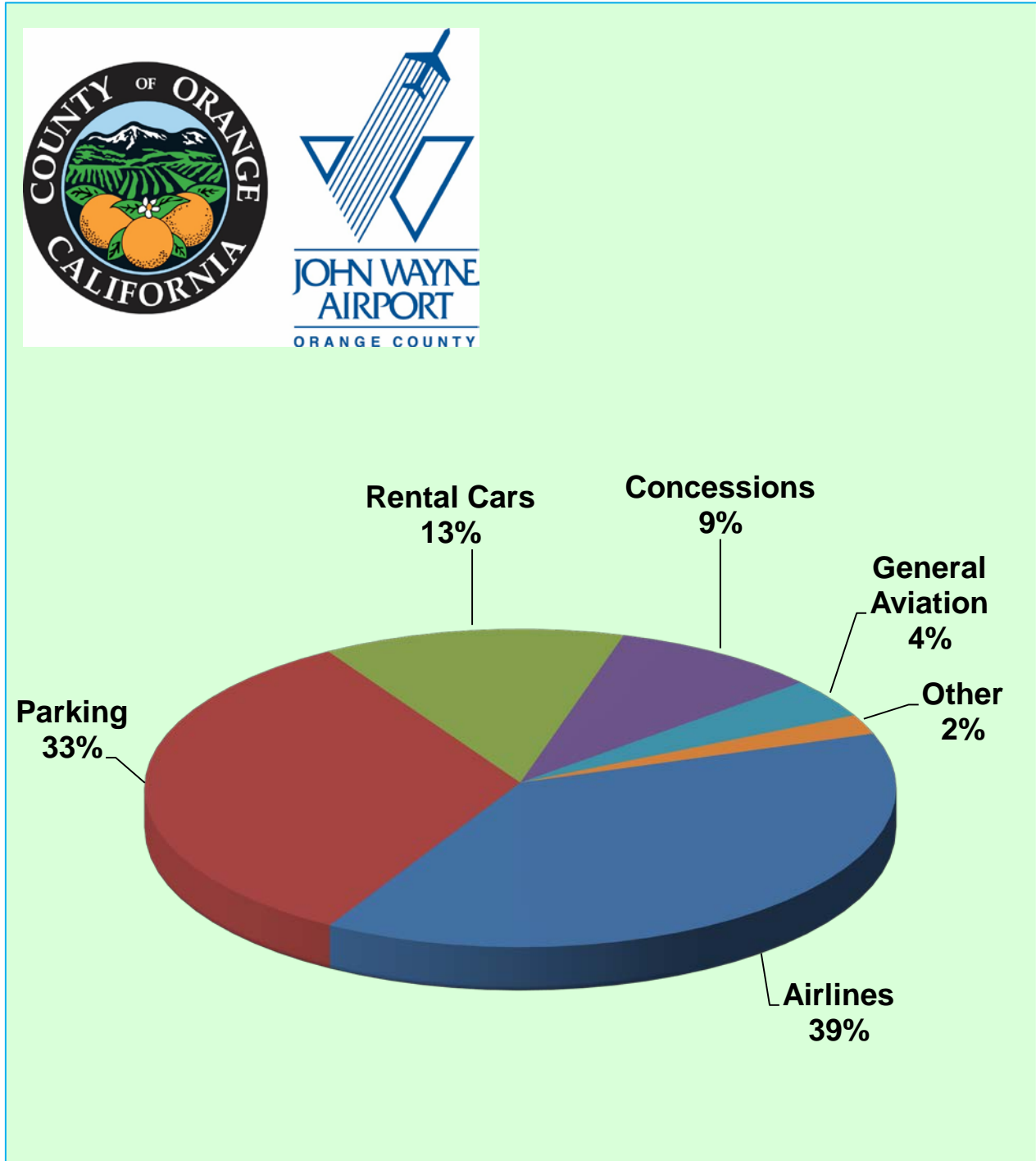
<b>Type of Aircraft</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Class A (1)	27,918	28,239	28,267	28,237	28,820	29,505
Class E (2)	17,258	13,883	12,884	14,045	12,166	11,237
Total	<u>45,176</u>	<u>42,122</u>	<u>41,151</u>	<u>42,282</u>	<u>40,986</u>	<u>40,742</u>

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 2015**



- 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>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>REVENUES:</b>					
Airline Terminal Rent (1)	23,048	24,269	21,816	24,869	25,790
Airline Landing Fees	12,369	12,561	14,536	13,633	13,714
Airline Apron Fees	2,253	2,817	2,555	2,666	2,575
Utility & Janitorial Reimbursement	3,680	4,816	5,211	5,119	5,285
Parking	35,394	35,694	37,728	38,650	40,203
Rental Cars	13,131	13,101	13,464	14,056	14,705
Food & Beverage	4,387	6,053	7,363	7,506	7,822
Other Concessions	6,491	5,770	4,584	5,583	6,318
Aircraft Tiedown Fees	1,480	1,478	1,464	1,481	1,558
FBO Fees	2,604	3,065	3,860	2,655	2,726
Ramp Equipment Storage	786	1,044	999	999	955
Interest Revenue	1,856	759	615	618	645
Miscellaneous Revenue (2)	1,701	1,784	1,577	2,258	2,002
<b>Total Operating Revenues</b>	<u>109,180</u>	<u>113,211</u>	<u>115,771</u>	<u>120,091</u>	<u>124,298</u>
<b>OPERATING EXPENSES</b>					
Professional and Specialized Services	33,444	34,426	36,156	38,255	37,391
Salaries and Employee Benefits	17,968	18,494	18,645	18,746	19,142
Other Services and Supplies	19,110	24,708	24,938	27,706	26,024
<b>Total Operating Expenses</b>	<u>70,521</u>	<u>77,628</u>	<u>79,740</u>	<u>84,708</u>	<u>82,557</u>
<b>NET REVENUES (3)</b>	38,659	35,583	36,031	35,384	41,741
<b>DEBT SERVICE:</b>					
Series 1997 Refunding Bonds (4)	-	-	-	-	-
Series 2003 Refunding Bonds (5)	(4,655)	(4,657)	(4,661)	-	-
Series 2009 Revenue Bonds (6)	(1,426)	(5,184)	(6,508)	(6,510)	(6,510)
<b>NET REVENUE AFTER DEBT SERVICE PAYMENTS</b>	<u>\$ 32,578</u>	<u>\$ 25,742</u>	<u>\$ 24,862</u>	<u>\$ 28,874</u>	<u>\$ 35,231</u>
<b>Coverage Calculation (7)</b>	6.36	3.62	3.23	5.44	6.41

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, 2015 (2)	\$ 60,750,000
2009 B Bond Series Principal Amount Outstanding as of June 30, 2015 (2)	<u>\$ 136,320,000</u>
Total Principal Outstanding - All Series	<u>\$ 197,070,000</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, 2015**

<b>Bond Series</b>	<b>Reserve Balance</b>		<b>Required Reserve</b>	
2009 A	\$ 4,390,509.50	Note 1	\$ 4,377,584.00	Note 2
2009 B	<u>\$ 9,549,015.00</u>	Note 1	<u>\$ 8,836,763.50</u>	Note 2
TOTAL	<u><u>\$ 13,939,524.50</u></u>		<u><u>\$ 13,214,347.50</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, 2015 (per Trustee's statement).
2. The Series 2009 A & B bonds Average Annual Long Term Debt Service Requirement was calculated by the Trustee on June 3, 2015.

## 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 credit card industry deployed a new global standard for credit cards equipped with computer chips technology to authenticate chip-card transactions (referred to as Europay, MasterCard Visa-EMV or "Chip and Pin"). The credit card issuers are effectively shifting the liability for card-present fraud to whichever party has the least secure form of EMV technology. The Airport has started the process of upgrading the CUPPS and PARCS equipment enabled to accept EMV credit cards.

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

The major project in Phase II of the Capital Improvement Program (CIP II) completed in the fiscal year ended June 30, 2015 was the Bristol Street Slope Stabilization. The major projects of the CIP II are the multiple components of the Terminal Improvements Project and the Paularino Street Gate Improvement. The Campus Dr./Bristol St. Right Turn Lane project is slated to be completed in 2016.

On December 8, 2015, the Board awarded a design-build contract in the amount of \$101.8 million for the Terminal Improvements Project. The seismic retrofitting of Terminals A and B was an added task to bring the older terminals to "Essential Facility" standard. The Terminal Improvements Project is scheduled to be completed in three years. The Board also authorized the Airport to file a Passenger Facility Charge (PFC) Amendment with the Federal Aviation Administration (FAA) to allow the Airport to be reimbursed for eligible costs expended on approved and completed PFC projects. John Wayne Airport is expected to file the PFC amendment in February 2016. Once approved by the FAA, funds will be available for the

Airport to fund a significant portion (64%) of the Terminal Improvements Project. The Terminal Improvement Project will enhance efficiency and extend the useful lives of the Terminal components, provide Airport patrons with numerous safety, code compliance, comfort, convenience and aesthetic improvements, and allow patrons to experience a uniform level of quality and service throughout the Thomas Riley Terminal.

### 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**

##### New Airport Director

On October 20, 2015, the Orange County Board of Supervisors appointed Barry A. Rondinella as the new Airport Director, and his term began on November 13, 2015. He had served as Los Angeles World Airport (LAWA) director of operations since 2010. Prior to his tenure at LAWA, Mr. Rondinella served as deputy director for operations at Sacramento Airport and as airport director for Stockton Metropolitan Airport and the Santa Maria Public Airport.

##### Executed Fifth Supplemental Indenture

Pursuant to Sections 1101(a) and 1101(b) of the Prior Indenture (The Original Indenture together with the First, Second, Third and Fourth Supplemental Indentures), the County of Orange, California (the "County") Airport Revenue Bonds and U.S. Bank National Association (the "Trustee") entered into a Fifth Supplemental Indenture, dated as of November 1, 2015, in order to:

- 1) Cure the omission of mandatory sinking fund redemption schedules from Section 1810 of the Supplemental Indenture.
- 2) Grant to or confer upon the Trustee, for the benefit of the Owners, additional security in the form of a pledge of additional Available PFC Revenues for the fiscal years ended June 30, 2016 through June 30, 2021, pursuant to Section 1822 of the Fourth Supplemental Indenture.

The executed Fifth Supplemental Indenture has been added to the event-based disclosures.

**SECTION B**

*John Wayne Airport Financial Statements For  
Fiscal Year Ended June 30, 2015*