ONTARIO INTERNATIONAL AIRPORT AUTHORITY

COMMISSION AGENDA - SPECIAL MEETING

ONTARIO INTERNATIONAL AIRPORT

MARCH 23, 2018 AT 3:00 P.M.

Ontario International Airport Administration Offices

1923 E. Avion Street, Room 100, Ontario, CA 91761

ALAN D. WAPNER President	**RONALD O. LOVERIDGE** Vice President	**JIM W. BOWMAN** Secretary	**CURT HAGMAN** Commissioner	**JULIA GOUW** Commissioner
MARK A. THORPE Chief Executive Officer	**LORI D. BALLANCE** General Counsel	**JEFF P. REYNOLDS** Treasurer		

WELCOME TO THE MEETING OF THE ONTARIO INTERNATIONAL AIRPORT AUTHORITY

- All documents for public review are on file at the Ontario International Airport Administration Offices located at 1923 E. Avion Street, Ontario, CA 91761.
- Anyone wishing to speak during public comment or on a item will be required to fill out a blue slip. Blue slips must be turned in prior to public comment beginning or before an agenda item is taken up. The Secretary/Assistant Secretary will not accept blue slips after that time.
- Comments will be limited to 3 minutes. Speakers will be alerted when they have 1-minute remaining and when their time is up. Speakers are then to return to their seats and no further comments will be permitted.
- In accordance with State Law, remarks during public comment are to be limited to subjects within the Authority's jurisdiction. Remarks on other agenda items will be limited to those items.
- Remarks from those seated or standing in the back of chambers will not be permitted. All those wishing to speak, including Commissioners and Staff, need to be recognized by the Authority President before speaking.

ORDER OF BUSINESS

The Authority meeting begins with Public Comment at 3:00 p.m.

(Sign Language Interpreters, Communication Access Real-Time Transcription, Assistive Listening Devices, or other auxiliary aids and/or services may be provided upon request. To ensure availability, you are advised to make your request at least 72 hours prior to the meeting you wish to attend. Due to difficulties in securing Sign Language Interpreters, five or more business days notice is strongly recommended.)

CALL TO ORDER (OPEN SESSION) - 3:00 P.M.

ROLL CALL

Loveridge, Bowman, Hagman, Gouw, President Wapner

PUBLIC COMMENTS - 3:00 P.M.

The Public Comment portion of the Authority meeting is limited to 30 minutes with each speaker given a maximum of 3 minutes. An opportunity for further Public Comment may be given at the end of the meeting. Under provisions of the Brown Act, the Commission is prohibited from taking action on oral requests.

<u>As previously noted -- if you wish to address the Commission, fill out one of the blue slips at the rear of the chambers and give it to the Secretary/Assistant Secretary.</u>

AGENDA REVIEW/ANNOUNCEMENTS

The Chief Executive Officer will go over all updated materials and correspondence received after the Agenda was distributed to ensure Commissioners have received them.

1. INFORMATION RELATIVE TO POSSIBLE CONFLICT OF INTEREST

Note agenda item contractors, subcontractors and agents which may require member abstentions due to conflict of interests and financial interests. Commission Member abstentions shall be stated under this item for recordation on the appropriate item.

CONSENT CALENDAR

All matters listed under CONSENT CALENDAR will be enacted by one motion in the form listed below – there will be no separate discussion on these items prior to the time Commission votes on them, unless a member of the Commission requests a specific item be removed from the Consent Calendar for a separate vote.

Each member of the public wishing to address the Authority on items listed on the Consent Calendar will be given a total of 3 minutes.

2. APPROVAL OF MINUTES

Minutes for the regular meeting of the Ontario International Airport Authority on February 27, 2018, approving same as on file with the Secretary/Assistant Secretary.

3. BILLS/PAYROLL

Bills February 1, 2018 through February 28, 2018 and Payroll February 1, 2018 through February 28, 2018.

4. APPROVAL OF MEETING STIPENDS

That the Ontario International Airport Authority Commission approve meeting stipends for Commissioner Hagman.

5. APPROVAL TO AWARD AND AUTHORIZE THE CHIEF EXECUTIVE OFFICER TO EXECUTE CONTRACTS FOR THREE (3) YEAR TERMS BETWEEN OIAA AND THE FOLLOWING FIRMS: BURNS & MCDONNELL, HNTB CORPORATION, AND TY LIN INTERNATIONAL, FOR ON-CALL ENGINEERING, ARCHITECTURE, AND SUPPORT SERVICES FOR AIP-FUNDED PROJECTS AT ONTARIO INTERNATIONAL AIRPORT.

That the OIAA approve to award and authorize the Chief Executive Officer to execute contracts with Burns & McDonnell, HNTB Corporation, and with T.Y. Lin International Inc. (TYLI), for as-needed engineering, architecture, and support services for Airport Improvement Program (AIP) funded projects to be defined through OIAA's capital planning and programming process and approved through OIAA's budgeting process. If approved, Burns & McDonnell, HNTB, and TY LI would be retained on a list of on-call, as-needed engineering service providers for AIP-funded projects at ONT for a period of three years. Engineering services assignments would be assigned to the firms as projects that are recommended by OIAA staff and incorporated into OIAA's capital budget.

6. APPROVAL OF A CONTRACT AMENDMENT WITH HELIX ENVIRONMENTAL PLANNING, INC. FOR PREPARATION OF ENVIRONMENTAL DOCUMENTATION FOR ONTARIO INTERNATIONAL AIRPORT.

That the OIAA authorize the Chief Executive Officer to execute a contract amendment with Helix Environmental Planning, Inc. (Helix) for additional scope of work, in the amount of $49,547 for the preparation of environmental documentation that conforms to the National Environmental Policy Act (NEPA) and California Environmental Quality Act (CEQA) for development projects at Ontario International Airport. This requested amount is for increased scope of work related to the preparation of environmental analysis and documentation for development projects at ONT.

7. AUTHORIZE THE CHIEF EXECUTIVE OFFICER TO AWARD AND EXECUTE A CONTRACT WITH ASIA GENERAL CONTRACTORS, INC.

That the OIAA authorize the Chief Executive Officer to award and execute a contract with Asia General Contractors, Inc. (Asia), in the amount of $251,500. The cost is to be paid for with OIAA appropriations from the 2017/2018 OIAA budget.

8. AUTHORIZE THE CHIEF EXECUTIVE OFFICER TO NEGOTIATE AND EXECUTE AN EASEMENT BETWEEN THE ONTARIO INTERNATIONAL AIRPORT AUTHORITY AND SOUTHERN CALIFORNIA EDISON AS PART OF THE GUARDIAN JET CENTER EXPANSION PROJECT.

That the Ontario International Airport Authority (OIAA) authorize the Chief Executive Officer to negotiate and execute an easement between the Ontario International Airport Authority and Southern California Edison as part of the Guardian Jet Center Expansion Project. The easement is being prepared by Southern California Edison (SCE) based on engineering drawings prepared by SCE for the construction of new electrical equipment as part of the Guardian Jet Center Expansion Project. The OIAA and its counsel will review and provide comments to SCE as part of its standard procedures for a tenant improvement project, therefore there will not be any fiscal impact.

9. AUTHORIZE CHIEF EXECUTIVE OFFICER TO NEGOTIATE AND EXECUTE AMENDMENT NO. 1 TO PROFESSIONAL SERVICES AGREEMENT WITH AIRPORT AND AVIATION PROFESSIONALS, INC. IN CONNECTION WITH IMPLEMENTATION OF WORKDAY ENTERPRISE RESOURCE PLANNING (ERP) FINANCIAL SYSTEMS.

That the Ontario International Airport Authority Authorize the Chief Executive Officer (CEO) to execute Amendment No. 1 to a Professional Services Agreement with Airport and Aviation Professionals, Inc in connection with implementation of Workday Enterprise Resource Planning (ERP) Financial Systems. The original contract with Airport and Aviation Professionals, Inc. (AvAirPros) in January 2018 was in the amount of approximately $66,000 and was executed under the authority of the CEO's signing authority. The Amendment provides for additional professional services in the amount of up to approximately $133,000 for a total contract amount of not more than $199,000.

10. APPROVAL OF FIRST AMENDMENT TO CONCESSION AGREEMENT ONT-8706 WITH BANK OF AMERICA.

That the Ontario International Airport Authority authorize the Chief Executive Officer to execute the Amendment to Agreement ONT-8706 with Bank of America. The current agreement provides for a concession to include five bank ATM units. The concessionaire is Bank of America, who agrees to pay the Authority $7,500 or $1.75 per transaction, whichever is greater. The commercial terms are Amended to include a sixth ATM and the minimum annual guarantee (MAG) shall be increased from $7,500 to $9,000. On an annualized basis, the MAG will be increased from $90,000 to $108,000; i.e., an increase of $18,000 per annum.

11. APPROVAL OF THE AUTHORITY'S COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) FOR THE 12-MONTH PERIOD ENDED JUNE 30, 2017.

That the Ontario International Airport Authority approve the Comprehensive Financial Report (CAFR) in accordance with the Joint Powers Agreement, Section 9, Accounts and Reports states that management to make an annual audit of the accounts and records of the Authority, and a complete written report filed as a public record with the Commission, Clerk of Ontario, San Bernardino Board of Supervisors and the Municipal Securities Rulemaking Board.

12. AUTHORIZE THE AUTHORITY CHIEF EXECUTIVE OFFICER (CEO) AND DESIGNEES TO REVIEW PROPOSALS FOR REAL ESTATE BROKERS TO REPRESENT THE AUTHORITY FOR THE POSSIBLE LONG-TERM LEASE OF NON-AERONAUTICAL USE REAL PROPERTY AT ONTARIO INTERNATIONAL AIRPORT (ONT), AND RECOMMEND TO THE AUTHORITY COMMISSION THE POSSIBLE SELECTION OF A BROKER FOR SUCH PURPOSE.

That the Ontario International Airport Authority ("OIAA" or "Authority") Commission authorize the Authority Chief Executive Officer and his designees to review proposals for licensed real estate brokers to represent the Authority in the possible long-term lease of ONT real property that is not used for aeronautical purposes (generally bounded by Airport Drive to the north, Jurupa Street to the south, Haven Avenue to the west, and Doubleday Avenue to the east), and recommend to the Authority Commission a qualified broker or brokers to be retained and selected for such purpose located at Possible retention or selection of a qualified real estate broker(s) to represent the Authority in the possible long-term lease of ONT real property that is not used for aeronautical purposes would not have any negative impact on ONT finances. The fees for any real estate broker services would only be paid out of any possible long-term lease transaction.

STAFF MATTERS

Chief Executive Officer Thorpe

COMMISSION MATTERS

President Wapner

Vice President Loveridge

Secretary Bowman

Commissioner Hagman

Commissioner Gouw

ADJOURNMENT

ONTARIO INTERNATIONAL AIRPORT AUTHORITY

ONTARIO INTERNATIONAL AIRPORT

DATE: MARCH 23, 2018

SECTION: MINUTE ACTION

SUBJECT: RELATIVE TO POSSIBLE CONFLICT OF INTEREST

RECOMMENDED ACTION(S): Note agenda items and contractors/subcontractors, which may require member abstentions due to possible conflicts of interest.

BACKGROUND: In accordance with California Government Code 84308, members of the Ontario International Airport Authority may not participate in any action concerning a contract where they have received a campaign contribution of more than $250 in the prior twelve (12) months and from an entity or individual if the member knows or has reason to know that the participant has a financial interest, except for the initial award of a competitively bid public works contract. This agenda contains recommendations for action relative to the following contractors:

Item No	Principals & Agents	Subcontractors
Item No. 05	Burns & McDonnell	• Mead & Hunt • Michael Baker • RDM International • Connico • Saiful Bouquet • PBS Engineers • Lean Engineering • Global Geo-Engineering • Tammy Edmonds Design
Item No. 05	HNTB Corporation	• Advanced Civil Technologies • BASE • Cotton, Shires & Associates, Inc. • Wagner Engineering & Survey, Inc.

STAFF MEMBER PRESENTING: Claudia Y. Isbell, Board Clerk

Prepared by:	Claudia Y. Isbell	Submitted to OIAA:	March 23, 2018
		Approved:	
Department:	Clerk's Office	Continued to:	
Chief Executive Officer Approval:	Mark A. Thorpe	Denied:	

Item No. 01

Item No. 05	TY Lin International	• Diaz Yourman and Associates • Wagner Engineering & Surveying, Inc. • Lean Engineering • American Infrastructure Development • VCA Engineers, Inc. • Kleinfelder, Inc. • Mead & Hunt • Rivers and Christian
Item No. 06	Helix Environmental Planning, Inc.	• None
Item No. 07	Asia General Contractors, Inc.	• None

ONTARIO INTERNATIONAL AIRPORT AUTHORITY
REGULAR COMMISSION MEETING
MINUTES
TUESDAY, FEBRUARY 27, 2018
(Not Official Until Approved)

A regular meeting of the Ontario International Airport Authority was held on Tuesday, February 27, 2018, at 1923 E. Avion Street, Room 100, Ontario, California.

Notice of said meeting was duly given in the time and manner prescribed by law.

CALL TO ORDER

President Wapner called the Ontario International Airport Authority Commission meeting to order at 3:01 p.m.

ROLL CALL

PRESENT:	Commissioners:	Jim W. Bowman, Curt Hagman, Julia Gouw, Ronald O. Loveridge and Alan D. Wapner.
ABSENT:	Commissioners:	None.

Also present were: Chief Executive Officer Mark A. Thorpe, General Counsel Lori D. Ballance, and Assistant Secretary Claudia Y. Isbell.

PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was led by Secretary Bowman.

PUBLIC COMMENT

Therese Andrews, Director of Traveler's Aid at the Ontario International Airport, gave a brief update on Traveler's Aid and their work at the airport.

POSSIBLE CONFLICT OF INTEREST ISSUES

1. INFORMATION RELATIVE TO POSSIBLE CONFLICT OF INTEREST

Note: agenda item contractors, subcontractors and agents which may require member abstentions due to conflict of interests and financial interests. Commission Member abstentions shall be stated under this item for recordation on the appropriate item.

There were no conflict of interests reported.

MOTION: Moved by Secretary Bowman, seconded by Commissioner Hagman and carried by a unanimous vote of 5-0, with an amendment to the minutes to reflect Commissioner Gouw's attendance and to remove the fiscal cap of $500,000 from Item No. 05 and approve the remainder of the Consent Calendar as presented.

Commissioner Hagman second the motion with an amendment to Item No. 05 specifically removing the $500,000 cap on each company and having an overall budget of $6,000,000.

CONSENT CALENDAR

2. APPROVAL OF MINUTES

Approved minutes for the regular meeting of the Ontario International Airport Authority on January 23, 2018, and the special meeting on February 2, 2018, approving same as on file with the Secretary/Assistant Secretary.

3. BILLS/PAYROLL

Approved bills January 1, 2018 through January 31, 2018 and Payroll January 1, 2018 through January 31, 2018.

4. APPROVAL OF MEETING STIPENDS

The Ontario International Airport Authority Commission approved meeting stipends for Commissioner Hagman and President Wapner.

5. APPROVAL TO AWARD CONTRACTS FOR A 3 YEAR PERIOD BETWEEN THE FOLLOWING FIRMS; BURNS & MCDONNELL, JACOBS, MEAD & HUNT, AND TY LIN INTERNATIONAL, FOR ON-CALL ENGINEERING, ARCHITECTURE, AND SUPPORT SERVICES AT THE ONTARIO INTERNATIONAL AIRPORT

The Ontario International Airport Authority authorized the Chief Executive Officer to execute contracts with Burns & McDonnell, Jacobs, Mead & Hunt, and TY Lin International for as-needed engineering, architecture and support services at the airport, for an allocation of $500,000 per contract per year. If approved, the aforementioned firms would be retained on a list of on-call with individual not-to-exceed amounts of $500,000 per contract per year for three (3) years. The total cost allocation is $6,000,000 for all four (4) contracts for the three (3) year period for the Ontario International Airport Authority. The contract allocation is not an authorization for the entire contract amount as the contract is for "on-call" engineering, architectural and support services.

6. AMEND COOPERATIVE AGREEMENT BETWEEN THE ONTARIO INTERNATIONAL AIRPORT AUTHORITY AND WGJ ENTERPRISES INC. DBA PCI PARTNERSHIP FOR PAINTING OF TAXIWAYS AND RUNWAYS, PARKING LOTS, STREETS, AND ROADWAYS AND AUTHORIZE THE CHIEF EXECUTIVE OFFICER TO EXTEND EXISTING THREE-YEAR COOPERATIVE AGREEMENT FOR A FINAL YEAR

The Ontario International Airport Authority (OIAA) approved an amendment to an existing three (3) year cooperative agreement between the OIAA and WGJ Enterprises Inc. dba PCI Partnership (PCI) for painting taxiways, runways, parking lots, streets, roadways by increasing the current contract amount in year-two from $100,000 to $250,000, and authorize the Chief Executive Officer to extend the agreement for a third and final year for another $250,000, for a total amount not-to-exceed amount of $500,000 for the remainder of the contract term. Funds for this recommendation are included in the current OIAA budget appropriations and operating revenue projections.

7. A RESOLUTION ADOPTING THE ONTARIO INTERNATIONAL AIRPORT AUTHORITY LOGO

The Ontario International Airport Authority adopted a resolution approving the use of the full Ontario International Airport (ONT) logo as the official logo for the Authority and associated colors to represent and identify the Ontario International Airport Authority. There will be no fiscal impact associated with this resolution.

RESOLUTION NO. 2018-06 A RESOLUTION OF THE ONTARIO INTERNATIONAL AIRPORT AUTHORITY ADOPTING THE ONTARIO INTERNATIONAL AIRPORT AUTHORITY LOGO

8. AUTHORIZE THE CHIEF EXECUTIVE OFFICER TO NEGOTIATE AND EXECUTE A LEASE AND LICENSE AGREEMENT BETWEEN ONTARIO INTERNATIONAL AIRPORT AUTHORITY AND ONTARIO INTERNATIONAL AIRPORT TERMINAL & EQUIPMENT COMPANY LLC (ONT-TEC)

The Ontario International Airport Authority (OIAA) authorized the CEO to negotiate and execute a Lease and License Agreement between OIAA and Ontario International Airport Terminal & Equipment Company LLC (ONT-TEC), for the lease of terminal space, and the maintenance and operation of terminal and other landside equipment and facilities at Ontario International Airport (ONT) for ten (10) years with the option to extend for one additional period of five (5) years. The new Agreement replaces and expands on a similar agreement assumed by OIAA in connection with the transfer of ONT to local control on November 1, 2016.

9. AUTHORIZE THE CHIEF EXECUTIVE OFFICER TO NEGOTIATE AND EXECUTE AN AMENDMENT TO THE PRODIGIQ CONTRACT TO ADD SOFTWARE TRAINING AND ONGOING TECHNICAL SUPPORT FOR A NEW BAGGAGE INFORMATION DISPLAY SYSTEM (BIDS), GATE INFORMATION DISPLAY SYSTEM (GIDS) AND COMMON USE TERMINAL EQUIPMENT (CUTE) PILOT SYSTEM

The Ontario International Airport Authority authorized the Chief Executive Officer to amend the OIAA's existing Professional Services Agreement with Prodigiq to allow for the purchase and license of Baggage Information Display Systems (BIDS) and Gate Information Display Systems (GIDS); and authorize necessary expenditure for the implementation of the pilot of Common Use Terminal Equipment (CUTE) in Terminal 2 at Ontario International Airport (ONT) to increase capacity for additional passenger airline operations and improve the overall customer service. This action will (1) increase the OIAA's contractual authority during the current fiscal year from $350,000 to $800,000 (2) increase the OIAA's contractual authority from $350,000 to $450,000 for the four (4) succeeding years of the contract.

STAFF MATTERS

Chief Executive Officer Thorpe provided an update on air traffic for passenger and cargo for the month of January.

Chief Executive Thorpe also provided an update regarding "Leadership ONT" created to increase use of ONT by business travelers in Southern California and engage business leaders to create advocacy.

COMMISSIONER MATTERS

Commissioner Gouw shared her experience at the Winter Olympics in Korea.

Commissioner Hagman reported on a visit from the Mexican Consulate to ONT.

Vice President Loveridge requested a narrative of the terminals regarding advertising space. Stated he was interested in a report on what we have and the story ONT is telling both internally and externally.

Secretary Bowman thanked staff for the hard work.

ADJOURNMENT

President Wapner adjourned the Ontario International Airport Authority Commission meeting at 3:36 p.m.

Respectfully submitted:

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CLAUDIA Y. ISBELL, CLERK OF THE BOARD

APPROVED:

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ALAN D. WAPNER, PRESIDENT
ONTARIO INTERNATIONAL AIRPORT AUTHORITY

ONTARIO INTERNATIONAL AIRPORT

DATE: **MARCH 23, 2018**

SECTION: **CONSENT CALENDAR**

SUBJECT: **ONTARIO INTERNATIONAL AIRPORT AUTHORITY COMMISSION APPROVAL OF STIPENDS AS REQUIRED BY AUTHORITY BYLAWS**

RELEVANT STRATEGIC OBJECTIVE: **Development of Airport-Related Businesses.**

RECOMMENDED ACTION(S): That the Ontario International Airport Authority Commission approve additional stipends per Article IV, Section 6 of the Authority's Bylaws.

BACKGROUND: Article IV, Section 6 of the Authority's Bylaws states as follows:

"No salary: Reimbursement for Expenses; Stipends. The members of the Commission shall receive no salary but shall be reimbursed for necessary expenses (including mileage in accordance with standard IRS mileage reimbursement rates) incurred in the performance of their duties. Additionally, commissioners will receive a stipend in the amount of one hundred fifty dollars ($150.00) for attendance at each Commission meeting, standing committee meeting, ad hoc committee meeting, and any Authority-related business function. A maximum of six (6) stipends are permitted per month. An additional two (2) stipends are permitted with prior approval of the President. More than eight (8) stipends per month will require approval by the full Commission."

During the month of February 2018, Commissioner Hagman attended six (6) additional Authority-related business functions. Full Commission approval is needed to approve payment of stipends.

CEQA COMPLIANCE: Exclusion from the definition of "project": The creation of government funding mechanisms or other government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment. (CEQA Guidelines §15378(b)(4).)

FISCAL IMPACT AND SOURCE OF FUNDS: OIAA operating revenue.

STAFF MEMBER PRESENTING: Claudia Y. Isbell, Board Clerk

Prepared by:	Claudia Y. Isbell	Submitted to OIAA:	March 23, 2018
		Approved:	
Department:	Clerk's Office	Continued to:	
Chief Executive Officer Approval:	Mark A. Thorpe	Denied:	

Item No. 04

PRIOR COMMISSION ACTION: On December 8, 2016, the OIAA Commission adopted Resolution No. 2016-14 approving and adopting the OIAA Bylaws.

STAFFING IMPACT (# OF POSITIONS):

N/A

IMPACT ON OPERATIONS:

N/A

EXHIBITS AND ATTACHMENTS:

N/A

The Agenda Report references the terms and conditions of the recommended actions and request for approval. Any document(s) referred to herein and that are not attached or posted online may be reviewed prior to or following scheduled Commission meetings in the Office of the Clerk of the Commission. Office hours are 8:30 a.m. to 5:00 p.m., Monday through Friday

This Agenda Report has been reviewed by OIAA General Counsel.

ONTARIO INTERNATIONAL AIRPORT AUTHORITY

ONTARIO
INTERNATIONAL AIRPORT

DATE: **MARCH 23, 2018**

SECTION: **CONSENT CALENDAR**

SUBJECT: **APPROVE THE SELECTION OF AND AUTHORIZE THE CEO TO NEGOTIATE AND EXECUTE CONTRACTS WITH THREE PROFESSIONAL SERVICES FIRMS: BURNS & MCDONNELL, HNTB CORPORATION, AND TY LIN INTERNATIONAL, FOR ON-CALL, AS-NEEDED PROFESSIONAL SERVICES ONCE ANTICIPATED AIP-FUNDED PROJECTS ARE APPROVED AT ONTARIO INTERNATIONAL AIRPORT.**

RELEVANT STRATEGIC OBJECTIVE: **Maintain a Safe and Secure Operational Environment.**

RECOMMENDED ACTION(S): That the OIAA approve the selection of and authorize the CEO to negotiate and execute contracts with Burns & McDonnell, HNTB Corporation, and T.Y. Lin International, Inc., for on-call, as-needed engineering, architecture, and support services for anticipated Airport Improvement Program (AIP) funded projects once they are approved by the OIAA Commission through OIAA's capital planning and programming process.

FISCAL IMPACT AND SOURCE OF FUNDS: At this time, there is no fiscal impact for approving the selection of these three firms. Engineering services will be contracted and assigned to these firms once AIP projects are approved by the Commission and incorporated into OIAA's capital budget. At that time, contracts for these firms will be executed by the CEO for the required professional services as needed for the projects.

BACKGROUND:
OIAA staff prepared a list of capital projects that are anticipated to be undertaken by the OIAA over the next three years. Each project has an estimated cost and has been assigned a year in which it is likely to be designed and constructed. The OIAA Commission will determine which of those projects are to be implemented through its capital planning, programming and budgeting process, which includes airline stakeholders. Once projects are approved by the Commission through the OIAA's budgeting process, the CEO will execute professional services contracts with the selected firms in the amounts budgeted by the Commission using the process required by the FAA to maintain eligibility for funding through the AIP program. Projects undertaken through the AIP program may be eligible to receive approximately 80% of their funding from FAA entitlement and discretionary grants.

STAFF MEMBER PRESENTING: Bruce Atlas, Chief Operations Officer

Prepared by:	Keith Owens	Submitted to OIAA:	March 23, 2018
		Approved:	
Department:	Operations	Continued to:	
Chief Executive Officer Approval:	Mark A. Thorpe	Denied:	

Item No. 05

PROCUREMENT:
The OIAA conducted a qualifications-based selection process and received 11 proposals on December 6, 2017. Five firms were short-listed and interviewed. Burns & McDonnell, HNTB, and TYLI were the most qualified firms to undertake design services for the projects. The selection process was conducted by OIAA staff in conformance with FAA standards, as will future contract negotiations.

Engineering and architecture design services are highly specialized services that require qualified, licensed professionals. It is standard practice for airports to contract with design firms that specialize in these services to ensure projects are designed to meet FAA and local standards.

FISCAL IMPACT AND SOURCE OF FUNDS: There is no fiscal impact at this time. Funding for professional services contracts with these firms will occur once the AIP projects are approved by the Commission and incorporated into OIAA's capital budget.

CEQA COMPLIANCE: The proposed staffing services decision is not a "project" under CEQA and does not require environmental review. To the extent the staffing services decision could be deemed a "project" for purposes of CEQA, it would be Categorically Exempt (Class 1) from the provisions of CEQA pursuant to (1) CEQA Guidelines section 15309 for project inspection services, (2) CEQA Guidelines section 15301 for the operations, repair, maintenance, permitting, or minor alteration of existing structures or facilities involving negligible or no expansion of use beyond that existing at the time of the lead agency's determination, and CEQA Guidelines section 15303 for new construction, installation or conversion of a limited number of small structures, facilities or equipment.

STAFFING IMPACT (# OF POSITIONS): The proposed action will not create any permanent positions in the OIAA.

IMPACT ON OPERATIONS: This action would not impact ONT operations.

SCHEDULE: N/A

EXHIBITS & ATTACHMENTS:

N/A

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This Agenda Report has been reviewed by OIAA General Counsel.

ONTARIO INTERNATIONAL AIRPORT AUTHORITY

ONTARIO INTERNATIONAL AIRPORT

DATE: **MARCH 23, 2018**

SECTION: **CONSENT CALENDAR**

SUBJECT: **APPROVAL OF A CONTRACT AMENDMENT WITH HELIX ENVIRONMENTAL PLANNING, INC. FOR PREPARATION OF ENVIRONMENTAL DOCUMENTATION FOR ONTARIO INTERNATIONAL AIRPORT.**

RELEVANT STRATEGIC OBJECTIVE: **Develop Airport-Related Businesses.**

RECOMMENDED ACTION(S): That the OIAA authorize the Chief Executive Officer to execute a contract amendment with Helix Environmental Planning, Inc. (Helix) for additional scope of work, in the amount of $49,547 for the preparation of environmental documentation that conforms to the National Environmental Policy Act (NEPA) and California Environmental Quality Act (CEQA) for development projects at Ontario International Airport. This requested amount is for increased scope of work related to the preparation of environmental analysis and documentation for development projects at ONT.

FISCAL IMPACT AND SOURCE OF FUNDS: The cost for these additional would require the use of additional funds from the 2017/18 OIAA budget.

BACKGROUND: The OIAA Commission unanimously approved an agreement with Helix on August 22, 2017 in the amount of $124,482 to prepare environmental documentation for the demolition of existing facilities located in the Northwest Quadrant of ONT. The scope of work for Helix has been revised to include preparation of environmental documentation for two additional development projects at ONT – the Guardian expansion project and the FIS international arrivals facility. Helix has been providing outstanding support to OIAA and preparation of the environmental documentation for these two additional development projects was necessary to ensure these projects remained on track and without unnecessary delay. These additional, essential services, enabled OIAA to meet tenant and airline needs within a short timeframe. The OIAA Commission has already approved the underlying Guardian and FIS international arrivals facility development projects based on the environmental documentation prepared by Helix.

FISCAL IMPACT AND SOURCE OF FUNDS: Approval of this contract amendment would require the use of additional funds from the 2017/18 OIAA budget, or any other budget adopted, continued, or

STAFF MEMBER PRESENTING: Bruce Atlas, Chief Operations Officer

Prepared by:	Bruce Atlas	Submitted to OIAA:	March 23, 2018
		Approved:	
Department:	Operations	Continued to:	
Chief Executive Officer Approval:	Mark A. Thorpe	Denied:	

Item No. 06

approved by the OIAA Commission. As proposed, Helix would continue to provide environmental consulting services for these development projects.

CEQA COMPLIANCE: The proposed staffing services decision is not a "project" under CEQA and does not require environmental review. To the extent the staffing services decision could be deemed a "project" for purposes of CEQA, it would be Categorically Exempt (Class 1) from the provisions of CEQA pursuant to (1) CEQA Guidelines section 15309 for project inspection services, (2) CEQA Guidelines section 15301 for the operations, repair, maintenance, permitting, or minor alteration of existing structures or facilities involving negligible or no expansion of use beyond that existing at the time of the lead agency's determination, and CEQA Guidelines section 15303 for new construction, installation or conversion of a limited number of small structures, facilities or equipment.

STAFFING IMPACT (# OF POSITIONS): The proposed action will not create any permanent positions in the OIAA.

IMPACT ON OPERATIONS: This action would not impact ONT operations.

SCHEDULE: N/A

EXHIBITS & ATTACHMENTS:

Attachment A – Helix Contract Amendment.

The Agenda Report references the terms and conditions of the recommended actions and request for approval. Any document(s) referred to herein and that are not attached or posted online may be reviewed prior to or following scheduled Commission meetings in the Office of the Clerk of the Commission. Office hours are 8:30 a.m. to 5:00 p.m., Monday through Friday

This Agenda Report has been reviewed by OIAA General Counsel.

ONTARIO INTERNATIONAL AIRPORT

DATE: **MARCH 23, 2018**

SECTION: **CONSENT CALENDAR**

SUBJECT: **AUTHORIZE THE CHIEF EXECUTIVE OFFICER TO AWARD AND EXECUTE A CONTRACT WITH ASIA GENERAL CONTRACTORS, INC.**

RELEVANT STRATEGIC OBJECTIVE: **Maintain a Safe and Secure Operational Environment.**

RECOMMENDED ACTION(S): That the OIAA authorize the Chief Executive Officer to award and execute a contract with Asia General Contractors, Inc. (Asia), in the amount of $251,500.

FISCAL IMPACT AND SOURCE OF FUNDS: The cost is to be paid for with OIAA appropriations from the 2017/2018 OIAA budget. Approval of this contract would require the use of additional funds in the 2017/18 OIAA budget, or any other budget adopted, continued, or approved by the OIAA Commission.

BACKGROUND: On November 29, 2017, staff posted Request for Bids #170021, on the OIAA's PlanetBids website. Seventy-six vendors were notified and two contractors replied by the due date of December 22, 2017 as follows:

Vendor	Bid
Asia General Contractors, Inc.	$251,500.00
Myers and Sons Construction, LP	$696,672.00

The bid requested lump sum pricing associated with the purchase and installation of 61 bollards. OIAA Staff determined Asia General Contractors, Inc. to be the low responsible, responsive bidder with pricing consistent to staff's estimate for the project.

STAFF MEMBER PRESENTING: Bruce Atlas, Chief Operations Officer

Prepared by:	Keith Owens	Submitted to OIAA:	March 23, 2018
		Approved:	
Department:	Operations	Continued to:	
Chief Executive Officer Approval:	Mark A. Thorpe	Denied:	

Item No. 07

CEQA COMPLIANCE: The proposed project is Categorically Exempt (Class 1) from the provisions of CEQA pursuant to (1) CEQA Guidelines section 15301(f) for addition of safety or health protection devices for use during construction of or in conjunction with existing structures, facilities, or mechanical equipment, or topographical features including navigational devices.

STAFFING IMPACT (# OF POSITIONS): The proposed action will not create any permanent positions in the OIAA.

IMPACT ON OPERATIONS: This action would not impact ONT operations.

SCHEDULE: *NIA*

EXHIBITS & ATTACHMENTS:

Attachment A – Contract Agreement.

The Agenda Report references the terms and conditions of the recommended actions and request for approval. Any document(s) referred to herein and that are not attached or posted online may be reviewed prior to or following scheduled Commission meetings in the Office of the Clerk of the Commission. Office hours are 8:30 a.m. to 5:00 p.m., Monday through Friday

This Agenda Report has been reviewed by OIAA General Counsel.

ONTARIO
INTERNATIONAL AIRPORT

DATE: **MARCH 23, 2018**

SECTION: **CONSENT CALENDAR**

SUBJECT: **AUTHORIZE THE CHIEF EXECUTIVE OFFICER TO NEGOTIATE AND EXECUTE AN EASEMENT BETWEEN THE ONTARIO INTERNATIONAL AIRPORT AUTHORITY AND SOUTHERN CALIFORNIA EDISON AS PART OF THE GUARDIAN JET CENTER EXPANSION PROJECT.**

RELEVANT STRATEGIC OBJECTIVE(S): **Develop Airport Related Businesses.**

RECOMMENDED ACTION(S): That the Ontario International Airport Authority (OIAA) authorize the Chief Executive Officer to negotiate and execute an easement between the Ontario International Airport Authority and Southern California Edison as part of the Guardian Jet Center Expansion Project.

FISCAL IMPACT AND SOURCE OF FUNDS: The easement is being prepared by Southern California Edison (SCE) based on engineering drawings prepared by SCE for the construction of new electrical equipment as part of the Guardian Jet Center Expansion Project. The OIAA and its counsel will review and provide comments to SCE as part of its standard procedures for a tenant improvement project, therefore there will not be any fiscal impact.

BACKGROUND: Southern California Edison (SCE) currently has an easement with the OIAA at the Guardian project site that encompasses its existing electrical equipment. This electrical equipment will have to be removed and trenching for new electrical equipment is underway by the Guardian project contractor.

Locating new SCE electrical equipment requires a new easement. SCE has provided the design drawings for the location of new electrical equipment and is currently drafting the required easement. It is anticipated that the OIAA will receive this easement by mid-March. However, once the easement is prepared, it will be critical to execute and record the easement as soon as possible thereafter, so that SCE can schedule the construction of the new electrical equipment, anticipated to occur at the end of March, 2018. Construction phasing of the Guardian hangar is dependent upon the new SCE electrical equipment being in place by the end of March, 2018.

STAFF MEMBER PRESENTING: Jeff Reynolds, Chief Financial Officer

Prepared by:	Jeff Reynolds	Submitted to OIAA:	March 23, 2018
		Approved:	
Department:	Finance	Continued to:	
Chief Executive Officer Approval:	Mark A. Thorpe	Denied:	

Item No. 08

CEQA COMPLIANCE: The issuance of an easement to SCE; granting SCE to provide electric power to existing facilities are Categorically Exempt (Class 1) from the requirements of the California Environment Quality Act (CEQA) pursuant to Section 15301. Furthermore, on November 30, 2017, the OIAA Issued a Notice of Exemption (NOE) for the Expansion Project itself. The NOE was based upon 14 Cal Code Regs Section 15332, which addresses in-fill development projects.

STAFFING IMPACT (# OF POSITIONS): N/A

IMPACT ON OPERATIONS: This action will have no impact to operations.

SCHEDULE: It is anticipated that SCE have an easement for OIAA to review and sign by mid-March, 2018 and will construct new electrical equipment by the end of March, 2018. Construction phasing of the Guardian hangar is dependent upon the new SCE electrical equipment being in place by the end of March, 2018.

EXHIBITS & ATTACHMENTS:

Attachment A – Design drawing showing existing electrical and new electrical requiring easement.

The Agenda Report references the terms and conditions of the recommended actions and request for approval. Any document(s) referred to herein and that are not attached or posted online may be reviewed prior to or following scheduled Commission meetings in the Office of the Clerk of the Commission. Office hours are 8:30 a.m. to 5:00 p.m., Monday through Friday

This Agenda Report has been reviewed by OIAA General Counsel.

ONTARIO INTERNATIONAL AIRPORT AUTHORITY

ONTARIO
INTERNATIONAL AIRPORT

DATE: MARCH 23, 2018

SECTION: CONSENT CALENDAR

SUBJECT: AUTHORIZE CHIEF EXECUTIVE OFFICER TO NEGOTIATE AND EXECUTE AMENDMENT NO. 1 TO PROFESSIONAL SERVICES AGREEMENT WITH AIRPORT AND AVIATION PROFESSIONALS, INC. IN CONNECTION WITH IMPLEMENTATION OF WORKDAY ENTERPRISE RESOURCE PLANNING (ERP) FINANCIAL SYSTEMS.

RELEVANT STRATEGIC OBJECTIVE: <u>To Increase Financial Management and Operational Efficiencies.</u>

RECOMMENDED ACTION(S): That the Ontario International Airport Authority Authorize the Chief Executive Officer (CEO) to execute Amendment No. 1 to a Professional Services Agreement with Airport and Aviation Professionals, Inc in connection with implementation of Workday Enterprise Resource Planning (ERP) Financial Systems.

FISCAL IMPACT AND SOURCE OF FUNDS: The original contract with Airport and Aviation Professionals, Inc. (AvAirPros) in January 2018 was in the amount of approximately $66,000 and was executed under the authority of the CEO's signing authority. The Amendment provides for additional professional services in the amount of up to approximately $133,000 for a total contract amount of not more than $199,000. This item is presented to the Commission because the total contract, as amended, exceeds the CEO's signing authority. The cost pursuant to the Amendment will be consolidated with the other professional services in connection with the Workday ERP acquisition and financing and, as such, will be financed by IBM through the Lease Purchase program initiated in October 2017. There is no impact on the current FY 2017-2018 budget.

BACKGROUND: The OIAA Commission previously approved the acquisition and implementation of Workday and the Lease Purchase financing program provided by IBM. Workday is a financial and human capital management software solution acquired to assist OIAA with billing, payroll, budgeting, etc. Although the need for professional services support from AvAirPros was not contemplated under the original implementation plan, it is anticipated that the costs under this contract, as amended, will not elevate the overall Workday costs to an amount that exceeds the amount approved or the amount shown in the FY

STAFF MEMBER PRESENTING: Jeff Reynolds, Chief Financial Officer

Prepared by:	Jeff Reynolds	Submitted to OIAA:	March 23, 2018
		Approved:	
Department:	Finance	Continued to:	
Chief Executive Officer Approval:	Mark A. Thorpe	Denied:	

Item No. 09

2017-2018 budget. Staff contends that the services delivered through the Amendment are essential to maintain the “go-live” schedule and to provide essential post go-live support.

CEQA COMPLIANCE: N/A

STAFFING IMPACT (# OF POSITIONS): N/A

IMPACT ON OPERATIONS: N/A

SCHEDULE: N/A

EXHIBITS & ATTACHMENTS:

Attachment A: Professional Services Agreement Amendment No. 1 with Airport & Aviation Professionals, Inc.

The Agenda Report references the terms and conditions of the recommended actions and request for approval. Any document(s) referred to herein and that are not attached or posted online may be reviewed prior to or following scheduled Commission meetings in the Office of the Clerk of the Commission. Office hours are 8:30 a.m. to 5:00 p.m., Monday through Friday

This Agenda Report has been reviewed by OIAA General Counsel.

ONTARIO INTERNATIONAL AIRPORT

DATE: **MARCH 23, 2018**

SECTION: **CONSENT CALENDAR**

SUBJECT: **APPROVAL OF FIRST AMENDMENT TO CONCESSION AGREEMENT ONT-8706 WITH BANK OF AMERICA.**

RELATIVE STRATEGIC OBJECTIVE: **Provide Customer-Friendly Facilities and Services.**

RECOMMENDED ACTION(S): That the Ontario International Airport Authority authorize the Chief Executive Officer to execute the Amendment to Agreement ONT-8706 with Bank of America.

FISCAL IMPACT AND SOURCE OF FUNDS: The current agreement provides for a concession to include five bank ATM units. The concessionaire is Bank of America, who agrees to pay the Authority $7,500 annually or $1.75 per transaction, whichever is greater. The commercial terms are Amended to include a sixth ATM and the minimum annual guarantee (MAG) shall be increased from $7,500 to $9,000. On an annualized basis, the MAG will be increased from $90,000 to $108,000; i.e., an increase of $18,000 per annum.

BACKGROUND: The original agreement of October 29, 2012 between Los Angeles World Airports (LAWA) and Bank of America (BofA) was novated from LAWA to the Authority with effect from November 1, 2016. The Agreement expired December 31, 2017 with an automatic month-to-month extension thereafter for up to six months. It is in the mutual interest of the Parties to amend the Agreement and the key elements are outlined below:

- Extend the term of the agreement for up to one (1) year to March 30, 2019 for existing five (5) units and up to two (2) years to March 30, 2020 for the new sixth (6th) unit;
- All the placement of one additional ATM machine at the Airport (for a total of 6 units);
- Adjust BofA's Minimum Monthly Guarantee to $9,000; and,
- Adjust sharing of costs associated with any removal of that newly added ATM, should that occur.

STAFF MEMBER PRESENTING: Jeff Reynolds, Chief Financial Officer

Prepared by:	Jeff Reynolds	Submitted to OIAA:	March 23, 2018
		Approved:	
Department:	Finance	Continued to:	
Chief Executive Officer Approval:	Mark A. Thorpe	Denied:	

Item No. 10

CEQA COMPLIANCE: N/A

STAFFING IMPACT (# OF POSITIONS): N/A

IMPACT ON OPERATIONS: N/A

SCHEDULE: N/A

EXHIBITS & ATTACHMENTS:

Attachment A: FIRST AMENDMENT TO CONCESSION AGREEMENT ONT-8706 (WITH EXHIBITS)

The Agenda Report references the terms and conditions of the recommended actions and request for approval. Any document(s) referred to herein and that are not attached or posted online may be reviewed prior to or following scheduled Commission meetings in the Office of the Clerk of the Commission. Office hours are 8:30 a.m. to 5:00 p.m., Monday through Friday

This Agenda Report has been reviewed by OIAA General Counsel.

ONTARIO INTERNATIONAL AIRPORT AUTHORITY

ONTARIO INTERNATIONAL AIRPORT

DATE: **MARCH 23, 2018**

SECTION: **CONSENT CALENDAR**

SUBJECT: **APPROVAL OF THE AUTHORITY'S COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) FOR THE 12-MONTH PERIOD ENDED JUNE 30, 2017**

RELEVANT STRATEGIC OBJECTIVE: **Maintain Financial Accountability and Stability to Support Airport Operations.**

RECOMMENDED ACTION(S): That the Ontario International Airport Authority approve the Comprehensive Financial Report (CAFR).

FISCAL IMPACT AND SOURCE OF FUNDS: N/A

BACKGROUND: The Joint Exercise of Powers Agreement of August 21, 2012 created the Ontario International Airport Authority (OIAA) and established the bylaws under which the OIAA would operate and be governed. *Section 9. Accounts and Reports* states that management "shall contract with an independent certified public accountant or firm of certified public accountants to make an annual audit of the accounts and records of the Authority, and a complete written report of such audit shall be filed as public records annually, within six (6) months after the conclusion of the Fiscal Year under examination, with each member of the Commission, the City Clerk of Ontario and the San Bernardino Board of Supervisors." Moreover, the Municipal Securities Rulemaking Board (MSRB) requires the filing of the CAFR no later than nine (9) months after the conclusion of the Fiscal Year End.

Due to the unique circumstances around the completion of the CAFR pertaining to the Authority's first financial closing since assuming operating ownership and control of the OIAA assets, a request of the Commissioners was made and accepted which, on a one-time basis would align the filing dates (under JPA and MSRB) to nine (9) months post fiscal year-end. The Commissioners were assured that the tighter filing requirements under the JPA would be adhered to in the future.

CEQA COMPLIANCE: N/A

STAFF MEMBER PRESENTING: Jeff Reynolds, Chief Financial Officer

Prepared by:	Jeff Reynold	Submitted to OIAA:	March 23, 2018
		Approved:	
Department:	Finance Department	Continued to:	
Chief Executive Officer Approval:	Mark A. Thorpe	Denied:	

Item No. 11

STAFFING IMPACT (# OF POSITIONS): N/A

IMPACT ON OPERATIONS: N/A

SCHEDULE: N/A

EXHIBITS & ATTACHMENTS:

Attachment A: Ontario International Airport Authority, Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2017.

The Agenda Report references the terms and conditions of the recommended actions and request for approval. Any document(s) referred to herein and that are not attached or posted online may be reviewed prior to or following scheduled Commission meetings in the Office of the Clerk of the Commission. Office hours are 8:30 a.m. to 5:00 p.m., Monday through Friday

This Agenda Report has been reviewed by OIAA General Counsel.

Attachment A

ONTARIO
INTERNATIONAL
AIRPORT AUTHORITY
$52,015,000
Ontario International Airport
Revenue Bonds,
Series 2016 (Taxable)

ANNUAL REPORT FOR CONTINUING DISCLOSURE FISCAL YEAR 2016-17

CUSIPs

Maturity Date (May 15)	Number
2018	683042AB1
2019	683042AC9
2020	683042AD7
2021	683042AE5
2022	683042AF2
2023	683042AG0
2024	683042AH8
2025	683042AJ4
2026	683042AK1

This continuing disclosure Annual Report (the "Report") has been prepared pursuant to the Continuing Disclosure Certificate (the "Disclosure Certificate") of the Authority (the “Issuer”) executed in connection with the issuance of the bonds listed above (the”2016 Bonds”). The 2016 Bonds were issued pursuant to a Master Trust Indenture, dated as of November 1, 2016, as amended and supplemented by and between the Issuer and the Bank of New York Mellon Trust Company, N.A., (the “Trustee”). As provided in Section 3 of the Disclosure Certificate, a copy of this Annual Report is being forwarded to the Bank of New York Mellon Trust Company, N.A., (the “Dissemination Agent”) which, in turn, will provide it to the MSRB. Unless otherwise defined above, all capitalized terms used herein shall have the meanings set forth in the Disclosure Certificate. The following information is being provided as required under Section 4 of the Disclosure Certificate.

ONTARIO INTERNATIONAL AIRPORT AUTHORITY

BASIC FINANCIAL STATEMENTS

June 30, 2017

ONTARIO INTERNATIONAL AIRPORT AUTHORITY

Table of Contents

June 30, 2017

Introduction

Management of the ONTARIO INTERNATIONAL AIRPORT AUTHORITY (“Authority”), which operates the Ontario International Airport (“ONT”), offers readers of the Authority's basic financial statements the following Management's Discussion and Analysis (MD&A), which includes a history, description of revenue streams, significant highlights, managements vision and approach and a narrative overview and analysis of the Authority's financial activities for the fiscal year ended June 30, 2017. We encourage readers to consider this information in conjunction with the accompanying basic financial statements.

History

ONT was developed prior to World War II, and subsequently the City of Ontario (“City”) acquired ONT from the Federal government. In October 1967 the City of Los Angeles Department of Airports (“LAWA”) and the City entered into a Joint Powers Agreement whereby the LAWA would manage, operate and control ONT. In July 1985, the City of Los Angeles became the owner of ONT. On November 1, 2016, pursuant to the Settlement Agreement with the City of Los Angeles, the City of Ontario and the Authority acquired ownership and obtained control of the operations and management of ONT.

ONT is classified by the FAA as a medium-hub full-service airport with commercial jet service to many major cities in the United States, Mexico and Asia. ONT is located approximately 35 miles east of downtown Los Angeles and occupies approximately 1,700 acres.

The terminal facilities at ONT consist of two domestic terminals with a combined total of 570,000 square feet and 26 passenger gates, as well as nine aircraft parking positions at the International Arrivals Terminal. The airfield is equipped with two parallel runways with lengths of 10,200 feet and 12,200 feet. ONT’s facilities also include six parking lots, of which three are currently operational, providing 5,591 surface parking spaces, and a 15,000-square foot consolidated rental car facility (“CONRAC”). Other facilities at ONT include airfreight buildings, various airport and aircraft support services, and administration facilities.

Mission, Strategic Vision and Management Philosophy

The Authority’s mission is to operate and grow ONT as one of the most competitive, efficient, innovative and customer friendly passenger, cargo, and business airports in the United States. Successfully managing a competitive, service oriented public organization requires a clear set of goals that define the customer experience and stakeholder expectations. Fiscal responsibility, personal accountability and organizational effectiveness will be key attributes that define the Authority’s approach to achieving its goals.

The Authority has identified key operational activities to address goals as follows:

- *Reduce Airline Costs*. The Authority seeks to reduce overall costs by evaluating personnel, operational and administrative costs. Personnel costs represented one of the largest costs to ONT. The Authority looks to decrease personnel costs through attrition, reassignment, and streamlining activities within the organization. Certain functions such as janitorial, grounds-keeping and other non-aviation related maintenance will be outsourced in a manner that achieves actual cost savings yet maintains the highest quality of service. Other personnel related, and administrative services will be streamlined with City and County services to eliminate potential redundancies.

- *Develop Airport Related Businesses*. Airport land will be developed to encourage aviation market uses that are consistent with robust cargo, freight, express mail, aircraft maintenance, corporate aviation and similar uses. The City of Ontario and County of San Bernardino are one of the largest business logistics and transportation hubs in the nation. The Authority will fully leverage this competitive position and geographic advantage to expand the air transportation component. Additionally, indoor and outdoor advertising, theming and naming rights will be marketed to maximize revenue opportunities.

Expand Air Service. The Authority will actively pursue opportunities to increase passenger and cargo activities at ONT. New airlines, increase in routes from existing airlines will be aggressively marketed. Developing air service incentive programs, effective community support programs to build demand and expanding international air traffic with all be explored.

- *Provide Customer Friendly Facilities and Services.* The goal is to provide the best customer experience that significantly increases customer satisfaction.

AGREEMENTS FOR USE OF AIRPORT FACILITIES

General

The Authority is party to and receives payments under different permits and agreements with various airlines and other parties, including operating permits relating to landing fees, leases with various airlines for the leasing of space in terminal buildings, other building and miscellaneous leases regarding the leasing of cargo and hangar facilities, concession agreements relating to the sale of goods and services at ONT, and leases relating to the construction of buildings and facilities for specific tenants.

Operating Use and Terminal Lease Agreements

Operating Use and Terminal Lease Agreements ("ULAs") have been executed with nine airlines (the "Signatory Airlines") at ONT, which permit the airlines to use ONT facilities and to lease terminal space. The nine Signatory Airlines are Aerovias De Mexico S A D E C V (Aero México), Alaska Airlines, Inc., American Airlines Inc., Delta Airlines, Inc., Federal Express Corp., Southwest Airlines Co., United Airlines, Inc., United Parcel Services, and Concesionaría Vuela Compañia de Aviación (Volaris). Each air carrier serving ONT has the opportunity to become a Signatory Airline. Non-signatory airlines pay landing fees that are 25% higher and lease rates that 10% higher than rates paid by Signatory Airlines.

Under the ULAs, the Signatory Airlines will pay the Authority terminal rental fees and landing fees. Each of these fees will be calculated on a residual rate-setting methodology, whereby the rental rates and landing fees are calculated to provide revenue in an amount equal to the difference between ONT's total expense and the revenues collected from other, non-airline sources, such as concession and parking revenue. Terminal rental rates are determined by totaling the costs attributable to the terminal, including maintenance and operating expenses, Authority debt service and certain deposits to the Authority's reserve and other Authority discretionary accounts, and any other applicable expenses, then dividing such total by the total space leased to the applicable Signatory Airlines. Terminal rental rates are calculated at least annually. Landing fees are calculated by totaling costs attributable to the airfield, including maintenance and operation expenses.

Each ULA has a basic term of twenty-five years from October 1, 1999 to September 30, 2024, subject to earlier termination by each airline on October 1, 2019, provided the applicable airline has ceased service at ONT by such date. In certain circumstances the ULAs may be terminated by the Authority prior to the end of their term.

Parking, Concession and Rental Car Agreements

The Authority is party to various concession agreements for the management of public parking, rental car operations, food and beverage, news and gifts, public payphones, wireless internet, automated teller machines, and luggage carts at ONT.

The following are brief summaries of certain key concession agreements at ONT:

Parking Concepts, Inc. (“PCI”) provides parking facility management and operation services and associated courtesy transportation services with respect to ONT’s three operational parking lots under an agreement effective as of April 4, 2014. The term of the agreement extends for eight years until April 3, 2022, with two one-year extension options. Under this agreement, PCI manages the parking lots, collects parking fees from users of the lots, and transfers such fees to the Authority in exchange for a management fee, payment for its operational expenses, and certain other payments.

There are three on-airport rental car concessionaires at ONT operating nine brands at the CONRAC. The three rental car concessionaires operate pursuant to a concession lease and a ground lease, each of which expire February 28, 2019. Under the concession agreements, the concessionaire car rental companies pay ground rent as well as 10% of their respective gross revenue, subject to a minimum annual guarantee. There are also two off-airport car rental companies with current agreements at ONT, each of which are on a month to month agreement that pay the Authority 9% of their gross revenues, subject to a minimum annual guarantee.

There are two food and beverage concession agreements at ONT: one with SSP America (“SSP”), which expires on October 31, 2018, and one with Delaware North Companies Travel Hospitality Services Inc. (“DNC”), where the initial term expires on May 1, 2022 and has two options to extend this agreement until May 1, 2027. Under the SSP agreement, SSP will pay the Authority a percentage of SSP’s gross revenues ranging from 10%-19% on the sale of food, beverages, merchandise, advertising and promotional items, subject to a minimum annual guarantee.

Under the DNC agreement, DNC currently pays the Authority 7% of all revenue generated at ONT’s terminal 2 and 10% of all revenue generated in ONT’s terminal 4. DNC is in the process of investing $6 million to renovate their facilities. Upon completion, they will pay the Authority 12%-16% annual gross revenues on food and beverages. The estimated completion date is July 2018. The minimum annual guarantee is 80% of the previous year’s “percentage rent” adjusted annually for each succeeding year.

News and gift concessions at ONT are managed by Hudson Group with a contract effective date of September 1, 2017 with a term of 8 years. Under the agreement with Hudson Group, Hudson Group will pay the Authority 11% of Hudson Group’s gross revenues until their construction plan is complete. Hudson Group will invest $2.4 million to their facilities and once their construction is complete their annual gross revenues to the Authority will be 12%-18% percentage rent of gross revenues. The minimum annual guarantee is 80% of the previous year’s percentage rent adjusted annually for each succeeding year.

Lamar Advertising Company manages advertising concessions at ONT pursuant to an agreement that expires July 27, 2027. Under the initial term of this agreement (July 27, 2017-February 1, 2018) Lamar shall pay 55% of gross advertising revenues to the Authority. During the primary term, Lamar shall pay the greater of the minimum annual guarantee, which is, no less than $350,000, or the percentage of gross advertising revenue, which is a percentage payment of gross advertising revenue of 55%.

Elements of the Basic Financial Statements

This following discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The basic financial statements include the statements of net position, the statements of revenues, expenses and changes in net position, the statements of cash flows, and the notes to the basic financial statements.

The statements of net position present information on all of the Authority's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. The Authority currently had no deferred outflows or inflows of resources to report.

The statements of revenues, expenses, and changes in net position present information showing how the Authority's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The statements of cash flows present information on the Authority's cash receipts and payments during the fiscal year. These cash flows are grouped into four categories: operating activities, noncapital financing activities, capital and related financing activities, and investing activities.

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Highlights of Airport Activities

- ☐ On November 1, 2016, the Authority completed a transaction for the acquisition of ONT from LAWA pursuant the Settlement Agreement dated December 22, 2015.
- ☐ In November 2016, the Authority issued $52.01 million of 2016 Revenue Bonds.
- ☐ The assets of the Authority exceeded its liabilities (net position) at June 30, 2017 by $34,298,093. Of these amounts, $(1,109,850) may be used to meet the Authority's ongoing obligations to ONT users and creditors *(unrestricted net position).*
- ☐ The Authority's total net position increased by $45,312,730 in the fiscal year ended June 30, 2017.
- The Authority's net capital assets increased by $76,050,408 in fiscal year ("FY") 2017, consisting of additions of $77,303,296 and depreciation expense of $1,252,888. Approximately $74,743,552 of capital assets were acquired in the purchase of ONT from LAWA.
- ☐ Operational Results:
    - o The financial statements present the revenue, expenses and changes in net position of the Authority for the continuous 12-month period ended June 30, 2017. As previously mentioned, the revenue generating operations of ONT are reflected from the date of acquisition, November 1, 2016, through June 31, 2017. Prior to the acquisition of ONT, The Authority's operations were primarily consisted of incurring legal, consulting, payroll and other expenses associated with building the Authority's infrastructure, issuance of bonds and the acquisition of ONT.
    - o In FY 2017, total passengers of 4,376,427 increased from 4,219,291 in FY 2016 an increase of 1.3%.The Authority remained focused on maintaining efficient passenger operations, matching the timing of capital programs to alternate funding sources, and upgrading infrastructure.

- ONT's ability to maintain its passenger traffic levels and/or attain any future passenger development is contingent on the recovery of the national economy and decisions by airline management to provide air service at ONT to meet customer demand. The airline industry is highly cyclical and is characterized by intense competition, high operating and capital costs, and varying demand. Passenger and cargo volumes are highly sensitive to general and localized economic trends, and passenger traffic may vary substantially with seasonal travel patterns.

- Total operating revenues generated from November 1, 2016 (date of acquisition) to June 30, 2017 was $43,755,901.

- Total operating expenses generated for the year ended June 30, 2017 was $45,587,300 (excluding depreciation expense).

Schedule of Net Position

A summary of the Authority's net position as of June 30, 2017 is shown below:

Schedule of Net Position

	2017
Assets	
Current unrestricted assets	$ 62,053,935
Current restricted assets	5,813,516
Capital assets, net	76,050,408
Intangible assets, net	7,392,508
Total Assets	151,310,367
Liabilities	
Current liabilities	14,849,846
Liabilities payable from restricted assets	4,998,939
Total long-term liabilities	97,163,489
Total liabilities	117,012,274
Net Position	
Net Investment in Capital Assets	29,594,427
Restricted For Capital Projects	5,813,516
Unrestricted	(1,109,850)
Total net position	$ 34,298,093

Net Position

The significant changes in the Authority's net position resulted from the following events:

- ☐ On November 1, 2016, the Authority completed a transaction for the acquisition of ONT from LAWA pursuant the Settlement Agreement dated December 22, 2015.

- ☐ In November 2016, the Authority issued $52.01 million of 2016 Revenue Bonds.

Net position may serve over time as a useful indicator of the Authority's financial position. The Authority's assets exceeded its liabilities and deferred inflows of resources (net position) by $34,298,093.

The largest portion of the Authority's net position in 2017, represents resources that are subject to external restrictions on how they may be used. The restrictions may be imposed by the 2016 Bonds master indenture, the use and lease Agreements or regulatory agencies. Of this restricted net position, approximately 47% is for operating and maintenance costs and 34% is for the acquisition of capital assets in accordance with the Use and Lease Agreements. The remaining 29% is reserved for debt service, PFC's and CFC's (See Note 1e to the financial statements).

The second portion of the Authority's net position reflects its net investment in capital assets (e.g., land, buildings, runways, etc.); less any related debt used to acquire those assets that is still outstanding. The Authority uses these capital assets to provide services to ONT users; consequently, these assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. The net investment in capital assets results from the acquisition of assets from LAWA less the related debt outstanding to LAWA. (See Notes 1b, 4 and 5 to the financial statements).

The final portion of net position is unrestricted net position and may be used to meet the Authority's ongoing obligations to ONT users and creditors.

As of June 30, 2017, the Authority reported positive balances in all categories of net position, excepted unrestricted.

Acquisition of Ontario Airport

On November 1, 2016, the Authority completed a transaction for the acquisition of Ontario International Airport ("ONT") from Los Angeles World Airways ("LAWA"). Pursuant the Settlement Agreement dated December 22, 2015. The Authority acquired substantially all assets and liabilities of ONT including accounts receivable, real property, equipment, vehicles, leases, contracts, agreements, accounts payable, accrued expenses and debt. Certain proprietary systems and other IT related assets were excluded from the transaction as well as liabilities related to LAWA personnel. No contingent consideration was contemplated pursuant to the Settlement Agreement.

As a condition of the change in control of the operations of ONT, the authority was to obtain approval from the Federal Aviation Administration ("FAA"), in the form of a certificate authorizing the Authority to operate ONT pursuant to Title 14, Code of Federal Regulations Part 139. The Authority successfully obtained its Part 139 Certification prior to the acquisition on November 1, 2016.

The total purchase price of the net assets of ONT was approximately $242,015,000. Pursuant to the agreement, the purchase price was to be paid as follows:

Cash due at closing	$ 30,000,000
Cash payment at closing from unrestricted cash of ONT	40,000.000
Payment due on fifth anniversary (1)	50,000,000
Payment due on tenth anniversary	70,000,000
Authority 2016 Revenue Bonds	52,050,000
Total Cash Consideration	$ 242,015,000

(1) The cash payment due on the fifth anniversary in the amount of $50,000,000 was satisfied at closing from existing cash in ONT accounts. The prepayment resulted in a discount $2,661,500 and thus $47,338,500 was paid.

On November 1, 2016, Authority issued revenue bonds in the amount of $52,015,000. The proceeds from the 2016 Bonds were used to extinguish existing LAWA bonds on the closing date.

The transaction was accounted for as an "acquisition" in accordance with GASB Statement No. 69, Government Combinations and Disposal of Government Operations (January 2013). Under the guidance provided in that statement, business combinations meeting the criteria for "acquisition" should be accounted for at fair value. An acquisition is characterized under the statement by obtaining control over the assets in exchange for significant consideration. Accordingly, the Authority engaged an independent appraisal firm to conduct a valuation of the assets and liabilities acquired including real property, equipment, intangibles, and debt.

2016 Bond Issuance

On November 1, 2016, the Authority issued $52,015,000 of 2016 Airport Revenue Bonds ("2016 Bonds") with an effective interest rates ranging from 1.290% to 2.998% issued at par. The 2016 Bonds are special limited obligations of the Authority payable solely from, and secured solely by a pledge of the net revenues and amounts in certain funds established under the Master Indenture of Trust, as amended, and the Debt Service Reserve Fund (provided through a surety). The 2016 Bonds are subject to redemption at the Authority's option prior to maturity, subject to a redemption premium.

The net proceeds of the 2016 Bond were as follows:

Bonds Payable	$	52,015,000
Underwriters Discount		(366,988)
Premium on 2016 Bond Insurance Policy		(115,798)
Premium on 2016 Bond Reserve Surety Bond		(119,635)
Bond Issuance Costs		(2,151,865)
Net Proceeds from 2016 Bonds used to extinguish LAWA 2006 Bonds	$	49,260,714

The 2016 Bonds are due in principal installments on May 15th annually with the interest installments are due on May 15th and November 15th each year. In connection with the bond financing, the Authority secured a Bond Reserve Surety Bond with a face value of $5,201,500 to provide coverage for debt service. The balance outstanding as of June 30, 2017 was $48,120,000.

Current Unrestricted Assets

The Authority's current unrestricted assets primarily result from operations which commenced effective November 1, 2016 with the acquisition of ONT from LAWA.

Restricted Assets

The following restricted assets were established in FY 2017 as a result of the Authority's acquisition of ONT and the 2016 Revenue Bonds: (i)Net Investments in Capital Projects and Restricted for Capital Projects, (ii) Net Position Restricted for Capital Projects consist of PRC and CFC Funds.

The Authority's had no restricted assets in FY 2016.

The Passenger Facility Charge ("PFC") is an FAA-approved charge levied on each enplaned passenger (currently $4.39, net of collection fee of $0.11). The balance in the PFC Fund is dependent on the timing of receipts and expenditures on approved projects. The PFC reserve consists of cash from the PFC program maintained as a separate reserve account and are pledged to repay amounts due to LAWA in connection with the acquisition. The fund balance of $2,097,925 in FY 2017 consists of PFC revenues less distributions to LAWA. PFC revenue for fiscal year ended June 30, 2017 totaled $5,696,823. During the fiscal year ended June 30, 2017, funds totaling $3,598,898 were remit to LAWA.

The Customer Facility Charge ("CFC") is a State of California permitted $10 charge established by the Authority levied per rental car contract. The balance in the CFC Fund is dependent on the timing of receipts and expenditures on the CFC. CFC Fund consists of cash from the CFC program maintained as a separate reserve and restricted for planning, design, construction and financing of a consolidated rental car facility. CFC revenue for fiscal year ended June 30, 2017 totaled $2,678,303. There were no disbursements from the fund in FY 2017.

Other Required Reserves

Maintenance and Operating Reserve is to be used for payment of operations and maintenance costs as they become due and payable. The funds appropriated to this reserve represent an amount equal to 1/12 of the maintenance and operation expenses budgeted for the then current fiscal year. The indenture further requires that the Authority establish a Maintenance and Operations Reserve Fund. The reserve required equals to 25% of the maintenance and operation expenses budgeted for the then current fiscal year. The funding of $13,475,743 is based on the budget for FY 2017.

Airport Discretionary Reserve represents amounts reserved under the agreement to fund capital projects not requiring "Majority in Interest" approval of the Signatory Airlines. The term Signatory Airlines is defined as any passenger or cargo airline that has signed the aforementioned agreement. The agreement further defines Majority in Interest to generally mean…any combination of passenger or cargo carriers who together have landed more than 50% of the total landed weight at the airport. The funding of $9,558,810 is based on the budget for FY 2017.

Debt Service Reserve represents an amount equal to 1/12 of the aggregate Principal amounts becoming due and payable on the next succeeding installment and 1/6 of the amount of interest becoming due and payable during the next ensuing six months. The funding of $994,772 is based on the terms of the Authority's 2016 Revenue Bond requirements for FY 2017.

Capital Assets

The Authority's net capital assets increased by $76,050,408 in FY 2017, consisting of additions of $77,303,296 and depreciation expense of $1,252,888. Approximately $74,743,552 of capital assets were acquired in the purchase of ONT from LAWA. The Authority's had no capital assets in FY 2016.

A condensed summary of the assets acquired and liabilities assumed at fair market value is as follows:

Current Assets	$ 165,170,700
Property, Plant and Equipment	1,243,436,000
Intangible Assets	123,182,100
Total Assets	1,531,788,800
Current Liabilities	(16,599,900)
Non-Current Liabilities	(52,424,700)
Fair Value of Net Position Acquired	$ 1,462,764,200

In accordance with GASB 69, when the fair market value of net position acquired exceeds the consideration paid the difference results in "negative goodwill". The resulting negative goodwill should be eliminated by reducing the acquisition values assigned to non-current assets acquired. Negative goodwill amount to approximately $1,284,470,000.

Consideration Paid (Discounted to fair value)	$ 178,294,200
Liabilities Assumed	69,024,600
Total Consideration	247,318,800
Fair Market Value of Net Position Acquired	(1,531,788,800)
Non-Current Liabilities	(52,424,700)
Negative Goodwill	$ 1,284,470,000

The negative goodwill was applied to non-current assets acquired (land, buildings, improvements, equipment, vehicles and intangible assets) on a pro rata basis.

The carrying value of assets (net of negative goodwill) acquired from LAWA consisted of the following:

Land	$ 56,503,866
Site Improvements	4,807,978
Buildings and Improvements	13,150,353
Machinery and Equipment	222,634
Vehicles	52,385
Furniture and Fixtures	6,336
Total Capital Assets Acquired	$ 74,743,552

In addition, the following intangibles assets were identified as follows:

Land Use/Air Space Rights	$ 7,273,370
In Place Lease Value	66,990
Favorable Lease Value	64,180
Total Intangible Assets Acquired	$ 7,404,540

Current Liabilities

Current liabilities consist of the following at June 30, 2017: accounts payable from trade vendors of $3,425,532; accrued payroll, payroll taxes and benefits of $2,018,614; an amount due to related party for services of $3,297,556. Additionally, current liabilities in 2017 reflect an amount due to airlines at June 30, 2016 in the amount of $6,103,023 which was assumed in the acquisition.

Liabilities Payable from Restricted Assets

Liabilities payable from restricted assets at June 30, 2017 reflects: (i) current portion of long-term debt of $4,805,000 on 2016 Bonds and (ii) accrued interest payable of $193,939 on 2016 Bonds.

Noncurrent Liabilities

Noncurrent liabilities consist of the following at June 30, 2017 non-current portion of 2016 Bonds of $43,315,000 and long-term debt in the amount of $53,848,489, net of unamortized deferred interest of $8,441,367.

Schedule of Revenues, Expenses and Changes in Net Position

The following table illustrates a condensed summary of the changes in net position for the fiscal year ended June 30, 2017:

Schedule of Revenues, Expenses and Changes in Net Position

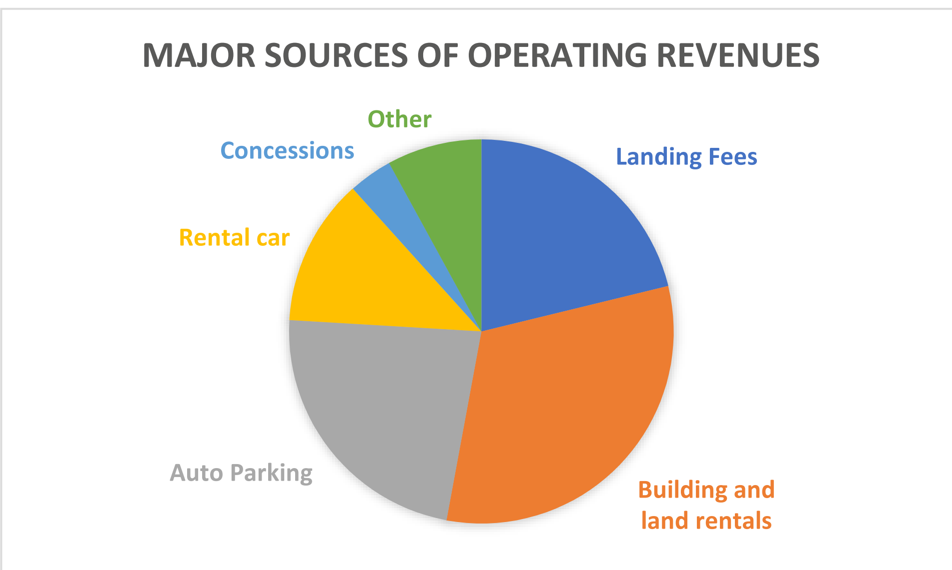
	2017
Operating revenues	$ 43,755,901
Operating expenses	46,852,221
Operating loss	(3,096,320)
Non-operating expenses	4,922,285
Income/(loss) before capital contributions	1,825,965
Capital contributions	43,489,765
Changes in net position	45,315,730
Total net position – beginning of year	(11,017,637)
Total net position – end of year	$ 34,298,093

Operating Revenues

Operating revenues consisted primarily of aviation revenue, building revenue, concession revenue, and CONRAC revenue and parking revenue.

Operating revenues consisted of the following at June 30,2017; (a) passenger landing fees of $3,775,549 and cargo landing fees of $5,497,311; (b) building rentals of $11,695,106 and land rentals of $1,353,490; (c) gate use fees of $642,665; (d) plane parking of $186,994 and other contractual services of $1,176,332.

The chart below illustrates the distribution of major sources of operating revenues in FY 2017:

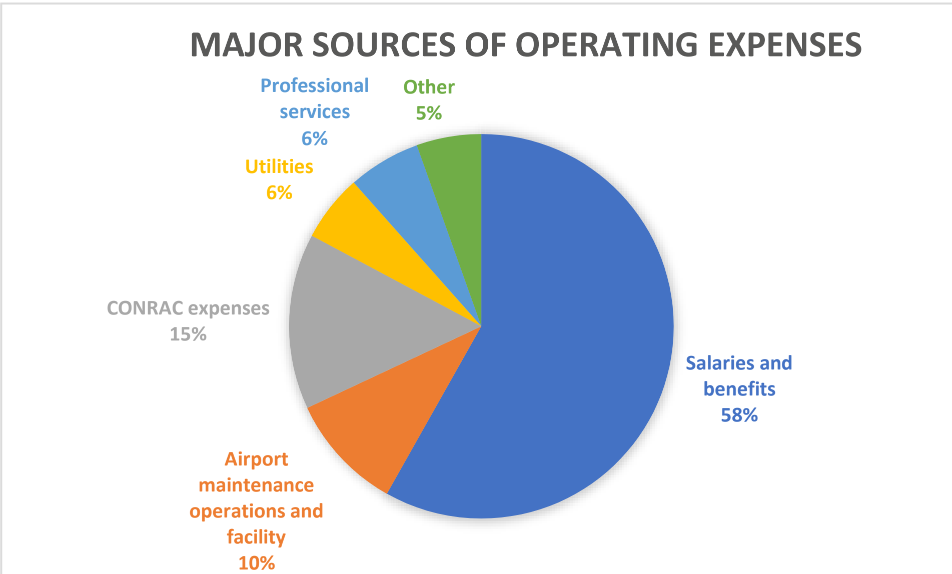


Operating Expenses

Operating expenses consisted primarily of salaries and benefits, airport maintenance operations and facility, CONRAC expenses, utilities and professional services.

Operating expenses consisted of the following at June 30, 2017; (a) salaries and benefits of $26,520,663 (b) airport maintenance operations and facility of $4,488,953; (c) CONRAC expenses of $6,743,037; (d) utilities of $2,570,934; and (e) professional services of $2,777,500.

The chart below illustrates the distribution of major sources of operating expenses in FY 2017:



Nonoperating Revenues and Expenses

The following table illustrates the composition of nonoperating revenues and expenses for the fiscal year ended June 30, 2017:

Schedule of Nonoperating Revenues and Expenses

	2017
Non-operating revenues (expenses):	
Passenger Facility Charge Revenue	$ 5,696,823
Customer Facility Charge revenue	2,678,303
Investment income	225,623
Interest expense	(1,451,038)
2016 Bonds issuance costs	(2,227,426)
Total non-operating revenues, net	$ 4,922,285

Capital Contributions

The Authority was created in 2012 under a Joint Powers Agreement between the City of Ontario ("City") and the County of San Bernardino. From inception through November 1, 2016 (the date which the Authority acquired the revenue generating operations of ONT), the City paid, on behalf of the Authority, all costs associated with acquiring control of ONT. Expenditures included legal and consulting fees, salary and benefits for Authority employees as well as other general and administrative costs.

The Authority incurred a total of $11,017,637 expenses through June 30, 2016 which were paid by the City. The Authority also incurred an additional $2,472,128 of expenses which were paid by the City, for the period from July 1, 2017 through October 31, 2016. Additionally, The City also directly provided approximately $30,000,000 used as the initial installment credited toward the purchase price of ONT. The total amounting to $43,489,765 are reflected as capital contributions at June 30, 2017 in the accompanying financial statements.

The amounts reflected above do not contain any formal terms for repayment. However, the Authority may make periodic distributions from future operations.

Capital Assets

Additions to capital assets in FY 2017 include the carry value of approximately $74,743,552 of capital assets acquired in the purchase of ONT from LAWA on November 1, 2016 and $2,559,745 subsequent to the acquisition.

		2017
Land	$	56,503,866
Site Improvements		4,966,248
Building and Improvements		14,009,760
IT Hardware and Software		1,198,534
Furniture and Fixtures		35,148
Machinery and Equipment		589,740
Accumulated Depreciation		(1,252,888)
Total Capital Assets, net	$	76,050,408

Long-Term Debt

On November 1, 2016, the Authority issued $52,015,000 of 2016 Airport Revenue Bonds (2016 Bonds) with an effective interest rates ranging from 1.290% to 2.998% issued at par. The 2016 Bonds are special limited obligations of the Authority payable solely from and secured solely by a pledge of the net revenues and amounts in certain funds established under the Master Indenture of Trust, as amended, and the Debt Service Reserve Fund (provided through a surety). The 2016 Bonds are subject to redemption at the Authority's option prior to maturity, subject to a redemption premium.

The net proceeds of the 2016 Bond were as follows:

Bonds Payable	$ 52,015,000
Underwriters Discount	(366,988)
Premium on 2016 Bond Insurance Policy	(115,798)
Premium on 2016 Bond Reserve Surety Bond	(119,635)
Bond Issuance Costs	(2,151,865)
Net Proceeds from 2016 Bonds used to extinguish LAWA 2006 Bonds	$ 1,462,764,200

The 2016 Bonds are due in principal installments on May 15th annually with the interest installments are due on May 15th and November 15th each year. In connection with the bond financing, the Authority secured a Bond Reserve Surety Bond with a face value of $5,201,500 to provide coverage for debt service. The balance outstanding as of June 30, 2017 was $48,120,000.

Debt service payments through maturity are as follows at June 30, 2017:

	Total	Principal	Interest
May 15, 2018	$ 4,805,000	$ 1,163,631	$ 5,968,631
May 15, 2019	4,910,000	1,088,817	5,998,817
May 15, 2020	5,010,000	999,553	6,009,553
May 15, 2021	5,145,000	895,145	6,040,145
May 15, 2022	5,290,000	782,778	6,072,778
May 15, 2023	5,455,000	651,375	6,106,375
May 15, 2024	5,645,000	507,690	6,152,690
May 15, 2025	5,820,000	349,743	6,169,743
May 15, 2026	6,040,000	181,079	6,221,079
	48,120,000	6,619,811	54,739,811

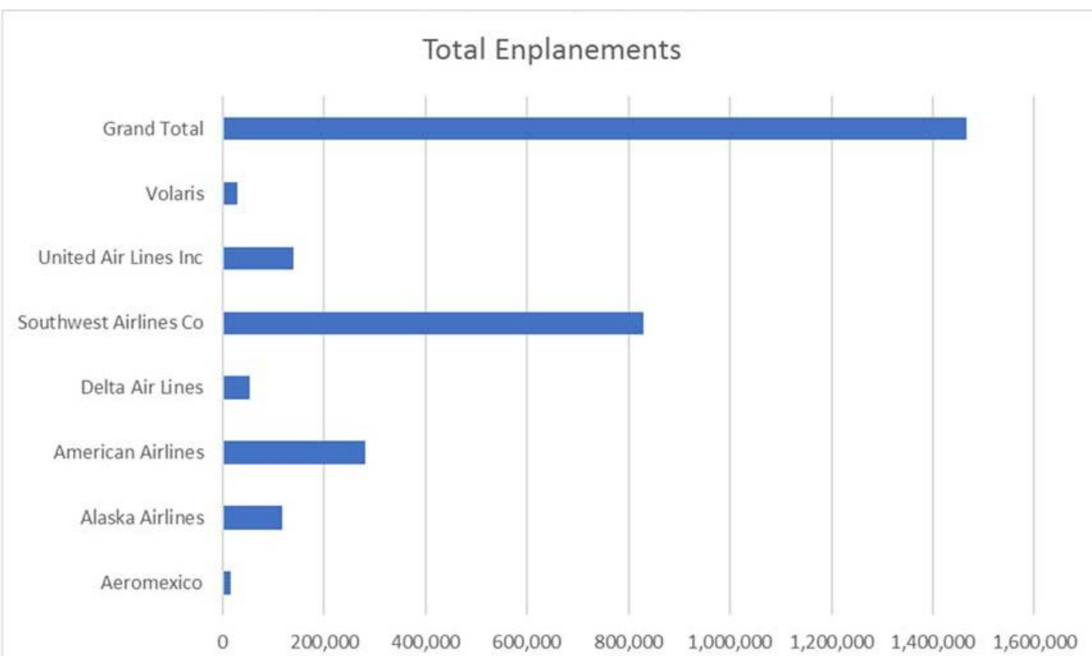
Interest expense for the years ended June 30, 2017 amounted $838,083.

The underlying ratings of the 2016 were reviewed in October 2017 by Fitch Ratings which reaffirmed its rating of A-. Standard and Poor’s reviewed its rating of the 2016 Bonds in February 2018 and reaffirmed its A-rating. Additional information regarding the Authority's long-term debt can be found in Notes 6 and 7 in the accompanying notes to the basic financial statements.

Selected Data on Operational Statistics

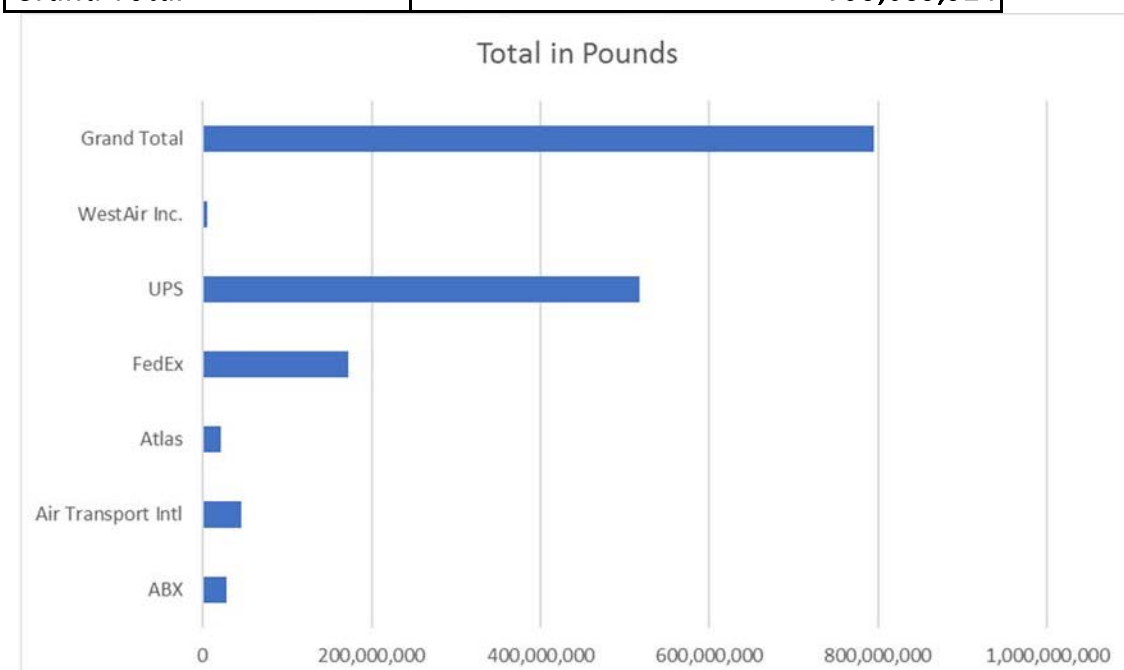
Illustrated below is enplaned passenger data by carrier for the period November 1, 2016 (date of acquisition) through June 30, 2017:

Carrier	Total Enplaned
Aeromexico	16,220
Alaska Airlines	116,186
American Airlines	280,996
Delta Air Lines	52,873
Miami Air International Inc	553
Omni Air International Inc	222
Southwest Airlines Co	828,768
Sun Country Airlines	516
United Air Lines Inc	140,369
Volaris	28,703
Grand Total	**1,465,406**



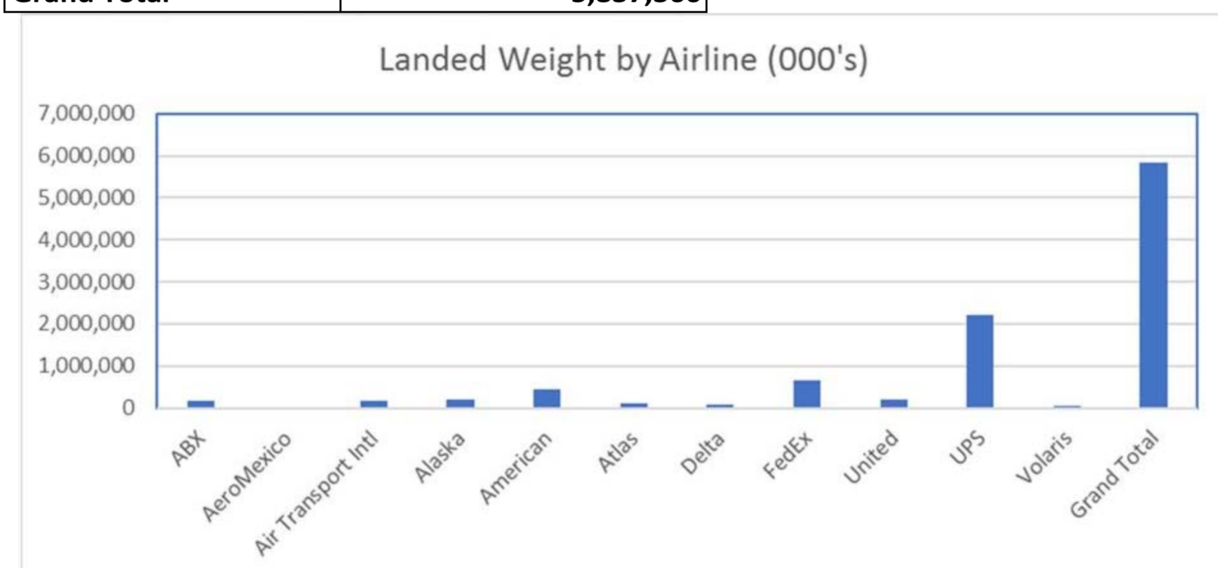
Illustrated below is cargo data by carrier for the period November 1, 2016 (date of acquisition) through June 30, 2017:

Carrier	Total in Pounds
ABX	28,250,307
Air Transport Intl	46,000,156
Alaska	345,701
American	210,296
Ameriflight	2,280,905
Atlas	21,313,564
Delta	37,405
Empire	1,988,762
FedEx	171,837,789
Kalitta	358
Southwest	1,967,974
United	18,209
UPS	516,745,684
WestAir Inc.	4,688,214
Grand Total	**795,685,324**



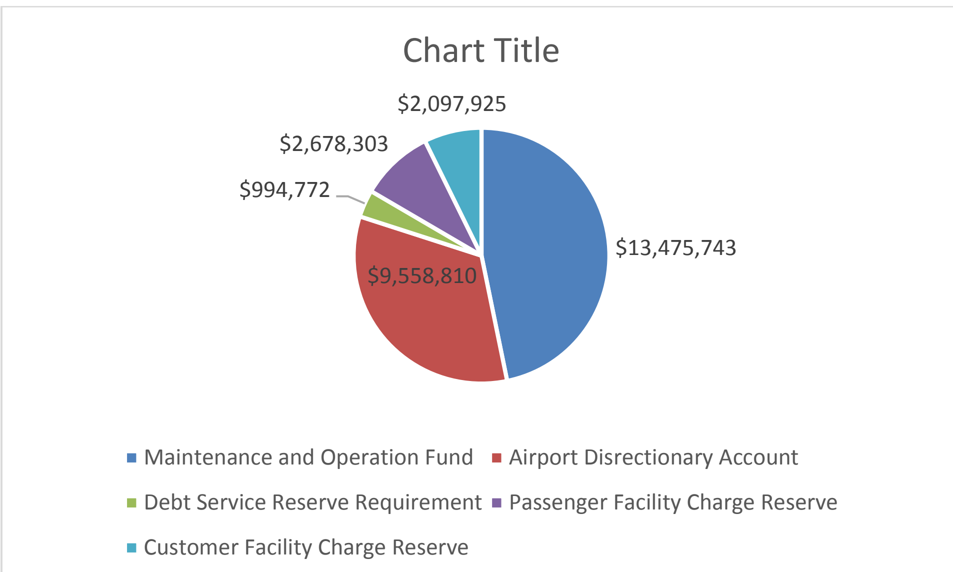
Illustrated below is landed weight data by carrier for the period November 1, 2016 (date of acquisition) through June 30, 2017:

Carrier	Landed Weight
ABX	161,165
AeroMexico	23,936
Air Transport Intl	176,471
Alaska	195,663
American	435,712
Ameriflight	24,082
Atlas	95,468
Delta	94,075
Empire	9,145
FedEx	667,926
IFL Group	29
Kalitta	12,818
Miami Air	1,024
Omni	1,750
Sierra Pacific Airlines	215
Southwest	1,441,578
Sun Country Airlines	1,606
United	206,511
UPS	2,219,789
Volaris	46,580
WestAir Inc.	21,818
Grand Total	**5,837,360**



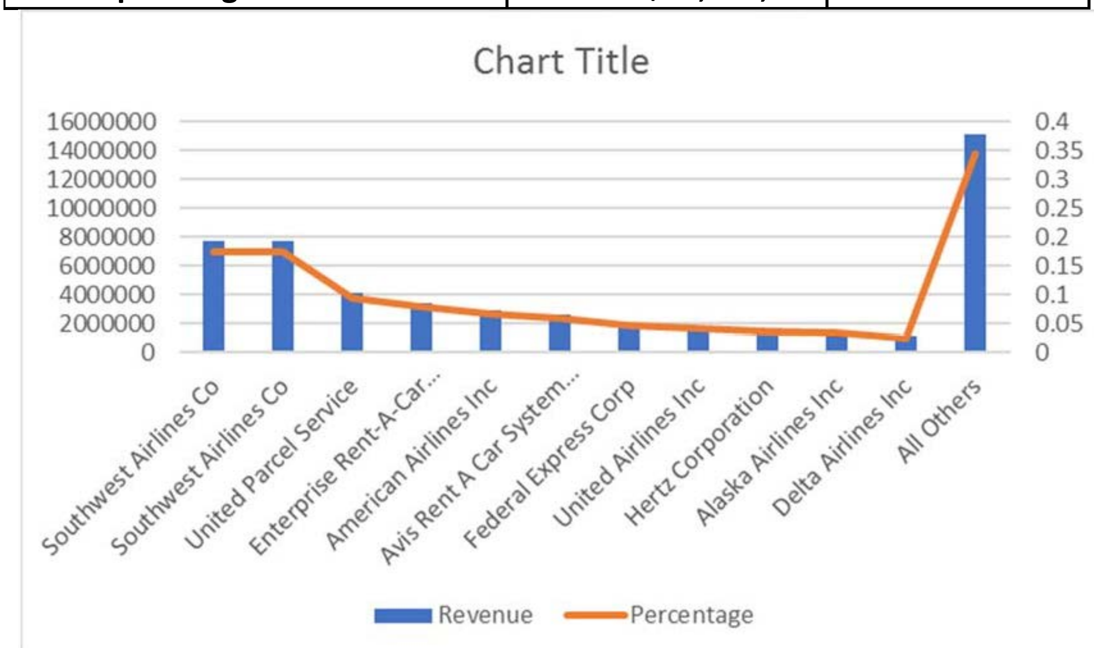
Illustrated below are the required reserves as of June 30, 2017:

Required Reserves	**Dollar Amount**
Maintenance and Operation Fund	$13,475,743
Airport Discretionary Account	$9,558,810
Debt Service Reserve Requirement	$994,772
Passenger FacilityCharge Reserve	$2,678,303
Customer Facility Charge Reserve	$2,097,925
Total Required Reserves	**$28,805,552**



Illustrated below is the top ten (10) customers by revenue for June 30, 2017:

Customers	Revenue	Percentage
Southwest Airlines Co	$7,666,900	17.52%
United Parcel Service	$4,095,968	9.36%
Enterprise Rent-A-Car Company	$3,413,865	7.80%
American Airlines Inc	$2,947,720	6.74%
Avis Rent A Car System LLC	$2,584,067	5.91%
Federal Express Corp	$2,024,068	4.63%
United Airlines Inc	$1,815,568	4.15%
Hertz Corporation	$1,548,457	3.54%
Alaska Airlines Inc	$1,517,967	3.47%
Delta Airlines Inc	$1,057,208	2.42%
All Others	$15,084,114	34.47%
Total Operating Revenue	**$43,755,901**	**100.00%**



Illustrated below is debt service coverage ratio data as of June 30, 2017:

	Debt Service Coverage Ratio	**2017 (Annualized)**
	Pledged Revenues	
	Operating Revenue	
	Airline Rentals	33,867,863
	Non-Airline Building Rentals	1,347,137
	Land Rentals	2,129,868
	Other Aviation Revenue	1,664,802
	Total Aviation Revenue	39,009,670
	Concession Revenue	
	Food & Beverage	845,991
	News & Gift	695,123
	Advertising	747,114
	Other	355,041
	Total Concessiona Revenue	2,643,269
	Off-Terminal	
	Auto Parking	17,568,808
	Rental Car	8,142,688
	Bus, Limo & Taxi	128,044
		25,839,540
	Non Operating Revenue	395,699
	Total Pledged Revenue	67,888,178
Less:	**Total M&O Expenses**	68,086,027
Add:	25% of Annual Debt Service	1,137,286
Add:	CONRAC EXPENSES	10,557,519
	Net Pledged Revenue	11,496,955
	Total Debt Service	4,549,145
	Calculated Ratio	252.73%
	Required Ratio	125.00%

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the ONTARIO INTERNATIONAL AIRPORT AUTHORITY, 1923 E. Avion Ave., Ontario, CA 91761.

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Ontario International Airport Authority
City of Ontario, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Ontario International Airport Authority (the Authority) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

To the Board of Commissioners
Ontario International Airport Authority
City of Ontario, California

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Ontario International Airport Authority, as of June 30, 2017, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated ____________, 2017 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Lance, Soll & Lunghard, LLP

Brea, California
________________, 2017

ONTARIO INTERNATIONAL AIRPORT AUTHORITY
Statement of Net Position
Year Ended June 30, 2017
(Unaudited)

Assets	**2017**
Current unrestricted assets:	
Cash and investments – current operating fund (note 2)	$ 50,072,046
Accounts receivable, net of allowance	9,546,883
Accrued interest receivable	115,492
Other receivables (note 3)	2,070,782
Prepaid expenses	248,732
Total current unrestricted assets	62,053,935
Current restricted assets:	
Other restricted cash and investments (note 2):	
Passenger Facility Charge Fund	2,097,925
Customer Facility Charge Fund	2,678,303
Total restricted cash and investments	4,776,228
Passenger Facility Charge receivables	1,034,720
Customer Facility Charge receivables	2,568
Total current restricted assets	1,037,288
Total restricted assets	5,813,516
Capital assets (note 4):	
Land	56,503,866
Site Improvements	4,966,248
Buildings and Improvements	14,009,760
IT Hardware/Software	1,198,533
Furniture and Fixtures	35,149
Machinery and Equipment	589,740
Less: Accumulated Depreciation	(1,252,888)
Total capital assets, net	76,050,408
Intangible assets, net	7,392,508
Total Assets	$ 151,310,367

See accompanying notes to basic financial statements

(continued)

ONTARIO INTERNATIONAL AIRPORT AUTHORITY

Statement of Net Position

Year Ended June 30, 2017

(Unaudited)

Liabilities	**2017**
Current liabilities:	
Accounts payable	$ 3,425,532
Accrued expenses	5,121
Accrued payroll, taxes and benefits	2,018,614
Due to related party	3,297,556
Due to airlines	6,103,023
Total current liabilities	14,849,846
Liabilities payable from restricted assets:	
Current portion of long-term debt bonds payable	4,805,000
Accrued interest payable	193,939
Total liabilities payable from restricted assets	4,998,939
Long-term debt, net of current portion:	
Loans payable (note 5)	53,848,489
Bonds payable, net of current portion (note 6)	43,315,000
Total long-term liabilities	97,163,489
Total liabilities	117,012,274
Net Position	
Net Investment in Capital Assets	29,594,427
Restricted for Capital Projects	5,813,516
Unrestricted	(1,109,850)
Total net position	$ 34,298,093

See accompanying notes to basic financial statements.

ONTARIO INTERNATIONAL AIRPORT AUTHORITY
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2017

	2017
Operating revenues	
Charges for services:	
Landing fees	$ 9,272,860
Building and land rentals	13,878,256
Auto Parking	10,077,755
Rental car	5,428,458
Concessions	1,610,848
Other operating revenues	3,487,724
Total operating revenues	43,755,901
Operating expenses:	
Salaries and benefits (note 8)	26,520,663
Airport maintenance operations and facility	4,488,953
Police and rescue, materials and supplies	523,522
CONRAC expenses	6,743,037
Utilities	2,570,934
Professional services	2,777,500
Other operating expenses	1,962,691
Total operating expenses before depreciation	45,587,300
Operating income (loss) before depreciation	(1,831,399)
Depreciation (note 4)	1,264,921
Operating loss	(3,096,320)
Non-operating revenues (expenses):	
Passenger Facility Charge Revenue	5,696,823
Customer Facility Charge revenue	2,678,303
Investment income	225,623
Interest expense	(1,451,038)
2016 Bonds issuance costs	(2,227,426)
Total non-operating revenues, net	4,922,285
(Loss) income before capital contributions	1,825,965
Capital contributions (note 1)	43,489,765
Changes in net position	45,312,730
Total net position – beginning of year	(11,017,637)
Total net position – end of year	$ 34,298,093

See accompanying notes to basic financial statements

ONTARIO INTERNATIONAL AIRPORT AUTHORITY
Statement of Cash Flows
Year Ended June 30, 2017

	2017
Cash Flows From Operating Activities	
Cash received From Airline Carriers, Tenants, Others	$ 33,773,019
Cash Paid for Salaries & Benefits	(24,502,049)
Cash Paid to Suppliers for Goods and Services	(17,508,416)
Case Paid for Parking Taxes to City	(1,634,784)
Net Cash from Operating Activities	(9,872,230)
Cash Flows From Capital and Related Financing Activities	
Purchase of Capital Assets	(2,559,745)
Payments of Note Payable – Seller	(3,687,641)
Cash Paid for principal on Bonds Payable	(3,895,000)
Cash Paid for Bond Interest	(1,310,226)
Cash Paid for Bond Issuance Costs	(2,227,426)
Case Received from Passenger Facility Charges	4,662,102
Cash Received from Customer Facility Charges	2,675,736
Cash Received in Acquisition	55,892,805
Net Cash from Capital and Related Financing Activities	49,550,605
Cash Flows From Investing Activities	
Cash Received from Interest and Investments	163,258
Net Cash from Investing Activities	163,258
Net Increase (Decrease) in Cash	39,841,633
Cash and Cash Equivalents – Beginning	$ 15,006,641
Cash and Cash Equivalents – Ending	$ 54,848,274
Operating Loss	$ (1,831,399)
Adjustments to Reconcile Net Income to Excess (Deficiency)	
Cash Provided by Operating Activities	
(Increase)/Decrease in Trade Accounts Receivable	(9,546,883)
(Increase)/Decrease in Other Receivables	(2,070,782)
(Increase)/Decrease in Prepaid Expenses	(248,733)
(Increase)/Decrease in Accounts Payable	(8,577,378)
(Increase)/Decrease in Accrued Expenses	7,086,776
Due To Related Party	3,297,556
Increase/(Decrease) in Accrued Payroll	1,894,378
Increase/(Decrease) in Accrued Payroll Taxes and Benefits	124,236
Net Cash Provided by (Used For) Operating Activities	$(9,872,230)

Supplemental Disclosure of Cash Flow Information:	
Interest Paid	$ 644,144
Supplemental Disclosure of Non-Cash Investing and Financing Activities:	
Assets Acquired in Acquisition	
Purchase Price	$242,015,000
Cash Paid to Seller by Related Party	(30,000,000)
Surplus Revenue Fund Retained by Seller	(40,000,000)
Passenger Facility Charges Retained by Seller	(50,000,000)
Note Due Seller	(70,000,000)
Bonds Proceeds	(52,015,000)
Cash paid for acquisition	$ -
Related Party Debt Converted to Net Position	$ 11,017,637
Expenses Paid by Related Party	$ 2,472,129
Credits Against Loan Payable – Seller	$ (4,111,246)

See accompanying notes to basic financial statements

Note 1: Summary of Significant Accounting Policies

a. *Description of Entity*

The ONTARIO INTERNATIONAL AIRPORT AUTHORITY ("Authority") was organized on August 27, 2012, under a joint powers agreement between the City of Ontario, CA and the County of San Bernardino, CA (together "Municipalities") pursuant to California Government Code Section 6500. The purpose of the OIAA is to exercise such powers for the operation, maintenance, management, administration, development and marketing of the Ontario International Airport ("ONT").

The Authority is governed by a commission of five members, each serving in his or her individual capacities. Two members are appointed from the City of Ontario Council, one member from the County Supervisorial District with the remaining two members prominent citizens of the community at large.

The debts, liabilities, and obligations of the Authority do not constitute debts, liabilities, or obligations of the Municipalities. The accompanying basic financial statements are not included in the reporting entity of any of the Municipalities.

b. *Acquisition of Ontario International Airport*

On November 1, 2016, the Authority completed a transaction for the acquisition of Ontario International Airport ("ONT") from Los Angeles World Airways ("LAWA"). Pursuant the *Settlement Agreement* dated December 22, 2015. The Authority acquired substantially all assets and liabilities of ONT including accounts receivable, real property, equipment, vehicles, leases, contracts, agreements, accounts payable, accrued expenses and debt. Certain proprietary systems and other IT related assets were excluded from the transaction as well as liabilities related to LAWA personnel.

As a condition of the change in control of the operations of ONT, the Authority was to obtain approval from the Federal Aviation Administration ("FAA"), in the form of a certificate authorizing the Authority to operate ONT pursuant to Title 14, Code of Federal Regulations Part 139. The Authority successfully obtained its Part 139 Certification prior to the acquisition on November 1, 2016.

The total purchase price of the net position of ONT was approximately $242,015,000. Pursuant to the agreement, the purchase price was to be paid as follows:

Cash due at closing	$ 30,000,000
Cash payment at closing from unrestricted cash of ONT	40,000.000
Payment due on fifth anniversary (1)	50,000,000
Payment due on tenth anniversary	70,000,000
OIAA 2016 Revenue Bonds	52,015,000
Total Cash Consideration	$ 242,015,000

(1) The cash payment due on the fifth anniversary in the amount of $50,000,000 was satisfied at closing from cash acquired from LAWA in ONT accounts. As an inducement for prepay, the Authority received a discount in the amount of $2,661,500 resulting in a cash payment of $47,338,500.

On November 1, 2016, OIAA issued revenue bonds in the amount of $52,015,000. The proceeds from the 2016 bonds were used to repay existing LAWA bonds on the closing date (see note 6).

No contingent consideration was contemplated pursuant to the *Settlement Agreement*.

The transaction was accounted for as an "acquisition" in accordance with GASB Statement No. 69, *Government Combinations and Disposal of Government Operations* (January 2013). Under the guidance provided in that statement, business combinations meeting the criteria for "acquisition" should be accounted for at fair value. An acquisition is characterized under the statement by obtaining control over the assets in exchange for significant consideration. Accordingly, the Authority engaged an independent appraisal firm to conduct a valuation of the assets and liabilities acquired including real property, equipment, intangibles, and debt.

A condensed summary of the assets acquired and liabilities assumed at fair market value is as follows:

Current Assets	$ 165,170,700
Property, Plant & Equipment	1,243,436,000
Intangible Assets	123,182,100
Total Assets	1,531,788,800
Current Liabilities	(16,599,900)
Non-Current Liabilities	(52,424,700)
Fair Value of Net Position Acquired	$ 1,462,764,200

In accordance with GASB 69, when the fair market value of net position acquired exceeds the consideration paid the difference results in "negative goodwill". The resulting negative goodwill should be eliminated by reducing the acquisition values assigned to non-current assets acquired. Negative goodwill amount to approximately $1,284,470,000. as follows:

Consideration Paid (Discounted to fair value)	$ 178,294,200
Liabilities Assumed	69,024,600
	247,318,800
Fair Market Value of Net Position Acquired	(1,531,788,800)
Negative Goodwill	$ 1,284,470,000

The negative goodwill was applied to non-current assets acquired (land, buildings, improvements, equipment, vehicles and intangible assets) on a pro rata basis.

c. Government Wide and Fund Financial Statements

The basic financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles.

An acquisition is characterized under the statement by obtaining control over the assets in exchange for significant consideration.

d. *Basis of Accounting*

The Authority reports its financial operations as a governmental enterprise activity, and as such, its financial statements are presented using the economic resources measurement focus and the accrual method of accounting. Revenues are recorded when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. The measurement focus is on determination of changes in net position, financial position, and cash flows. Operating revenues include charges for services and tenant rent. Operating expenses include costs of services as well as materials, contracts, personnel, and depreciation. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

The Authority maintains a fiscal year of June 30th and accordingly depict the operations of the Authority for the fiscal years ended June 30, 2017. The Authority acquired the operating assets of ONT on November 1, 2016 and accordingly, reflect the results of operations of ONT from the acquisition date through the date of the financial statements.

e. *Description of Basic Financial Statements*

Statements of Net Position – The Statements of net position are designed to display the financial position of the Authority including its assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. The Authority's equity is reported as net position which is classified into two categories defined as follows:

- Net Investment in Capital Assets – This component of net position consists of capital and intangible assets, net of accumulated depreciation and amortization and reduced by outstanding long-term debt due to LAWA (See Notes 4,5). Net Investment in Capital Assets amounted to $29,594,427.

- *Restricted for Capital Projects* – This component of net position consists of assets for which constraints have been placed on by external sources. The restrictions are imposed by regulatory agencies requiring funds be used for capital projects. Pursuant to the settlement agreement, PFCs are remitted to LAWA until remaining purchase price is paid.

  Net Restricted position at June 30, 2017 consisted of the following:

PFC fund	$ 3,132,645
CFC fund	2,680,871
Total Restricted	$ 5,813,516

- *Unrestricted* – This component of net position, totaling $(1,109,850) at June 30, 2017, consists of net position that do not meet the definition of "restricted".

Statements of Revenues, *Expenses and Changes in Net Position* – The statements of revenues, expenses and changes in net position are the operating statements for the Authority. Revenues are reported by major source. This statement distinguishes between operating and non-operating revenues and expenses and presents a separate subtotal for operating revenues, operating expenses before depreciation, and operating income.

Statements of Cash Flows – The statements of cash flows present information on the Authority's cash receipts and payments during the fiscal year. These cash flows are grouped into three categories: operating activities, capital and related financing and investing activities.

Notes to Basic Financial Statements – The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

f. Operating and Non-Operating Revenues and Expenses

The Authority distinguishes between operating revenues and expenses and non-operating items. Operating revenues and expenses generally result from providing goods and services to Airport users. The principal operating revenues of the Airport are parking fees, landing fees, concession charges, tenant rent, and fuel flowage fees. Operating expenses include contracted airport services, salaries and employee benefits, maintenance and operation of systems and facilities, administrative expenses including compliance with federal, state and local regulatory requirements, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

g. Restricted Reserves

Certain assets are restricted based on constraints placed on the assets use through external constraints imposed by creditors (such as through debt covenants), grantors, leases, trust agreements, contributors, laws or regulations of other governments or enabling legislation. Restricted funds are nondiscretionary in terms of use and provide for payment of debt service on Authority bonds, reserves for outstanding bonds and maintenance. The Authority, after necessary fund transfers have been made to comply with bond covenants, has discretion as to the use of the remaining unrestricted funds.

When both restricted and unrestricted resources are available for use. It is the Authority's policy to use restricted resources first, then unrestricted resources, as they are needed.

h. Grant and Capital Contributions

The Authority contemplates receiving grants under the Airport Improvement Program (AIP) from the U.S. Department of Transportation – Federal Aviation Administration (FAA) to finance certain future capital improvements. The Authority has received no grants for the years ended June 30, 2017.

Capital Contributions

The Authority was created in 2012 under a Joint Powers Agreement between the City of Ontario and the County of San Bernardino. From inception through November 1, 2016 (the date which the Authority acquired the revenue generating operations of ONT), the City paid, on behalf of the Authority, all costs associated with acquiring control of ONT. Expenditures included legal and consulting fees, salary and benefits for Authority employees as well as other general and administrative costs.

The Authority incurred a total of $11,017,637 expenses through June 30, 2016 which were paid by the City. The authority also incurred an additional $2,472,128 of expenses which were paid by the City, for the period from July 1, 2017 through October 31, 2016. Additionally, The City also directly provided approximately $30,000,000 used as the initial installment credited toward the purchase price of ONT. The total amounting to $43,489,765 are reflected as capital contributions at June 30, 2017 in the accompanying financial statements.

The amounts reflected above do not contain any formal terms for repayment. However, the Authority may make periodic distributions from current operation in the future.

i. Passenger Facility Charge Revenues

The Authority imposes a Passenger Facility Charge (PFC) of $4.50 (net of $.11 collection fee) per enplaned passenger, as approved by the FAA, to finance certain capital improvements. Cash and receivables from such revenues are maintained as separate reserves and are generally restricted for approved airport improvement projects. Revenues are recognized during the period earned and are recorded as non-operating revenues.

The *Settlement Agreement* required the Authority to make certain payments to LAWA prior to and following the acquisition as credits to the purchase price. As such, the Authority agreed to pay LAWA approximately $70,000,000 on the tenth anniversary of the acquisition date. The agreement contemplated that the payment of the $70 million would be funded from the collection of future PFC's from ONT operations and pledged to the repayment of the obligation until fully satisfied.

The *Federal Extension, Safety and Security Act* ("FAA Reauthorization Act*")* enacted on July 15, 2016 was intended, in part, to facilitate the change in control from LAWA to ONT. The FAA authorized PFC proceeds collected by ONT to be used to pay the required $70,000,000 purchase price installment due LAWA.

In a letter dated September 14, 2016 ("Side Letter"), the parties agreed to modify the terms of the *Settlement Agreement* with respect to the repayment terms of the $70 million purchase installment. In accordance with the Side Letter, the Authority would be required to pay LAWA an amount annually (beginning 11/1/19) as determined by the greater of $2 per the number of enplaned passengers or $1,000,000.

j. Customer Facility Charge Revenues

The Authority imposes a Customer Facility Charge (CFC) of $10 per rental car contract to finance the planning, design and construction of a consolidated rental car facility (CONRAC), in accordance with California Civil Code Section I936(m) et seq. Cash and receivables from such revenues are maintained as a separate reserve and are restricted for the CONRAC project. Revenues are recognized during the period earned and are recorded as non-operating revenue.

Pursuant to the 2016 Revenue Bond Indenture, ("2016 Bonds") CFC's are eligible for use in making schedule principal and interest bondholders.

k. Revenues and Flow of Funds

All revenues, except PFC's and CFC's, are deposited in the Airport Revenue Fund and are appropriated to the following reserves in priority order as mandated by resolution of the Authority and its bond indenture:

- **Maintenance and Operations Fund** – The amount in this fund is to be used for payment of operations and maintenance costs as they become due and payable. The funds appropriated to this reserve represent an amount equal to 1/12 of the maintenance and operation expenses budgeted for the then current fiscal year. The indenture further requires that the Authority establish a *Maintenance and Operations Reserve Fund*. The reserve required equals to 25% of the maintenance and operation expenses budgeted for the then current fiscal year.

- **Debt Service Fund** - The funds appropriated to this reserve represent an amount equal to 1/12 of the aggregate Principal amounts becoming due and payable on the next installment and 1/6 of the amount of interest becoming due and payable during the next ensuing six months.

- **Reserve Fund** - The Indenture establishes a Reserve Fund for the bonds issued *or to be issued* by the Authority pursuant to any Supplemental Indenture. Amounts appropriated to this reserve shall be available only to pay principal and interest on the 2016 Revenue Bonds and any additional bonds. The Required Reserve for the 2016 Bonds (and any Supplemental Bonds) shall be the lesser of: (i) the maximum annual debt services on the bonds or (ii) the amount permitted to be held in the Reserve Fund as permitted to be held under the arbitrage bond regulations prescribed by Section 148 of the Internal Revenue Code. Pursuant to the indenture, a *Reserve Fund Surety Policy* is acceptable in lieu of cash deposits to the fund. The Authority has obtained a Reserve Fund Surety Policy in the amount of $5,201,500 to satisfy the deposit to the fund.

- **Surplus Revenue Fund** - After making appropriations to the maintenance and operation fund, debt service fund, and reserve fund, all moneys remaining in the Airport Revenue Fund may be used as directed by the Treasurer or Commission for any discretionary purposes.

- **Construction Fund** - Proceeds from bond issuances to be used for costs of a project shall be appropriated to this fund. The Authority did not use the proceeds from the bond issuance for construction projects during years ended June 30, 2017.

l. Other Reserves

The Authority maintains the following additional restricted reserves:

- **Airport Discretionary Fund -** Pursuant to the *Operating Use and Terminal Lease Agreement* by and between the Signatory Airlines consortium, funds appropriated to this reserve represent amounts reserved under the agreement to fund capital projects not requiring "Majority in Interest" approval of the Signatory Airlines. The term Signatory Airlines is defined as any passenger or cargo airline that has signed the agreement. The agreement further defines Majority in Interest to generally mean…any combination of passenger or cargo carriers who together have landed more than 50% of the total landed weight at the airport.

- **Passenger Facility Charge Fund –** Cash from the PFC program are maintained as a separate reserve account and are pledged to repay amounts due to LAWA in connection with the acquisition.

- **Customer Facility Charge Fund –** Cash from the CFC program are maintained in a separate account and are restricted for planning, design, construction and financing of a consolidated rental car facility.

m. Allowance for doubtful accounts

Accounts receivable arising in the ordinary course of operations include amounts due from airlines and concessions. The Authority recognizes an allowance for losses on accounts receivable in an amount equal to the estimated probable losses, net of recoveries. The allowance is based on an analysis of historical bad debt experience, current receivables aging, and expected future write-offs, as well as an assessment of specific identifiable customer accounts considered at risk or uncollectible. The expense associated with the allowance for doubtful accounts is recognized as a general and administrative expense. No bad debt expense was recognized nor was an allowance was considered necessary ay June 30, 2017.

n. Concentrations of Credit Risk

The Authority had certain customers whose revenue individually represented 10% or more of the Authority's total revenue, or whose accounts receivable balances individually represented 10% or more of the Authority's total accounts receivable, as follows:

	Revenue	Accounts Receivable
Customer A	$ 7,666,900	$ 4,927,626
Customer B	4,095,968	367,148

For the year ended June 30, 2017, two customers accounted for 33% and one customer accounted for 21% of revenue, respectively. At June 30, 2017, two customers accounted for 69% of accounts receivable.

o. Intangible Assets

The Authority recognizes intangible assets in accordance with GASB No. 51 *Accounting and Financial Reporting for Intangible Assets* (June 2007). Intangible assets acquired either individually or in connection with a business combination are capitalized provided certain criteria are met and are recorded at their relative fair values. Intangible assets with definite lives are capitalized and amortized over their contractual or determined lives. Intangible assets with indefinite lives are not amortized and periodically measured for impairment.

In connection with the acquisition of ONT from LAWA, the Authority recorded intangible assets with the following lives:

- Land Use/ Airspace Rights
  The asset represents the estimated legal, financial, regulatory, operational, and environmental costs necessary to secure the requisite land use and airspace rights and other governmental approvals for a newly constructed airport. Estimates of costs generally range from 6%-12% of the land acquisition value. An independent valuation determined the fair value of the Land Use/Air Space rights at $121 million. After giving effect to negative goodwill derived in the transaction, the carrying value was determined to be approximately $7,273,370.

- In Place Lease Value
  The asset represents the estimated value inherent in existing leaseholds. The estimated costs associated with vacant space including lost rent, professional fees and other costs necessary to generate lease income over a three (3) month period. After giving effect to negative goodwill derived in the transaction, the carrying value was determined to be approximately $66,987.

- Favorable Lease Value
  This asset represents existing leases that have contractual terms that are superior to the market rents at the time of acquisition. Leases consummated with a two-year period have been excluded as having no material favorable value. After giving effect to negative goodwill derived in the translation, the carrying value was determined to be approximately $64,183.

Amortization is computed on the straight-line basis over the following periods:

Land Use / Airspace Rights	Indefinite Life
In Place Lease Value	5 years
Favorable Lease Value	13 years

Indefinite lived assets are not amortized but periodically measured for impairment, at least annually and whenever there is indication that the asset may be impaired. An impairment loss is recognized when the impairment is considered probable and can be reasonably measured. For the purpose of measurement, impairment is recognized when the carrying amount of the asset exceeds the recoverable amount. The recoverable amount of an asset is the higher of the fair value less cost to sell and value in-use. The total impairment loss is recorded as a reduction to the carrying amount of asset and an impairment loss on is recognized as an expense.

n. Capital Assets

Capital assets are defined by the Authority as assets with an initial, individual cost of $5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost, less accumulated depreciation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Depreciation is computed on a straight-line basis over the following periods:

Buildings and improvements	20-33 years
Site improvements	5 years
IT Hardware Software	1-5 years
Machinery and equipment	1-7 years
Furniture for fixtures	3-5 years
Vehicles	1-5 years

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognized in operations within 'gains/losses'

o. Compensated Absences

All full-time employees are entitled to a specified number of hours of Paid Time Off ("PTO") per annum. The hours may be used for vacation time or to accommodate sick time. The annual amounts are pre-determined at the outset of employment and are accrued as earned during the year. Employees may carry over any unused PTO to future periods. Beginning in 2018, employees may also elect to convert any unused PTO hours to cash at specified dates during the calendar year. During the years ended June 30, 2017, the Authority accrued $180,388 for compensated absences in the accompanying financial statements and are included under accrued expenses.

Part time employees are not entitled to paid time off but are afforded a nominal amount of sick days per year. Unused sick days may not be carried over to future years.

Certain management employees are credited an additional 48 hours of personal leave which is credited at the beginning of the calendar year. Any unused personal leave may not be carried over to future periods.

p. Retirement Plan Contribution

The Authority established and maintain three retirement plan types for the benefit of employees:

401A Plan- Defined Contribution Plan for Governmental Employees
All full and part time employees are eligible to participate the Authority's 401A Plan. Contributions amounting to 10% of the employee's eligible wage base are made to the plan by the Authority on behalf of the employees. Maximum permissible contributions for the plan year are $40,000 per employee. All contributions made under this plan are fully vested. Amounts contributed to the plan for the years ended June 30, 2017 amounted to approximately $205,438.

457B Plan- Employee Deferred Compensation Plan
The Authority sponsors an employee funded retirement plan. All employee contributions are fully vested at the time of contribution. The Authority does not make any contributions or provide for matching under this plan.

457F Plan
The plan is a non-qualified deferred compensation arrangement which provided supplemental retirement benefits to a select management group. Amounts contributed to the plan for the years ended June 30, 2017 amounted to approximately $16,615.

q. Fair Value Measurements

For assets or liabilities that are required to be reported at fair value, the Authority uses valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or an income approach. The Authority categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy of inputs used to measure fair value consists of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs.

The Authority's assets subject to fair value measurement during the years ended June 30, 2017 were investments held at local agency investment fund (LAIF) and ONT assets and liabilities acquired from LAWA. Substantially all the assets and liabilities were considered Level 3 assets having unobservable inputs except for LAIF which was considered Level 2. The Authority engaged an independent valuation firm to conduct an appraisal of the asset and liabilities acquired in the transaction as well as separately identify and value intangible acquired in the transaction.

r. Investments and Invested Cash

In accordance with California Government Code (Code) Section 53600 et seq., the Authority adopts an investment policy annually for the Operating, PFC and CFC portfolios that, among other things, authorizes types of allowable investments, maximum maturities, maximum concentration of investments by type of investment and issuer, minimum ratings for certain types of investments, and how the investments may be held. These criteria on investments and invested cash related to the Authority's bonded debt are governed by the related Master Indenture of Trust. Authorized investments and invested cash include U.S. Treasury securities, corporate notes, federal agency securities, money market mutual funds, bankers' acceptances, commercial paper, negotiable and non-negotiable certificates of deposit, repurchase agreements, guaranteed investment contracts and fund deposited in the State Treasurer's Local Agency Investment Fund (LAIF). The restrictions in the Code mitigate the Authority's interest rate risk, credit risk, concentration of credit risk, and custodial credit risk related to its various investments.

The Authority's investments are carried at fair value. Fair value is determined based upon market closing prices or bid/asked prices for regularly traded securities. The fair value of money market mutual funds and other similar investments is stated at its share value. The fair value of the Authority's investment in the LAIF is based on the Authority's pro rata share provided by LAIF of the fair value of the entire LAIF portfolio. Certain money market mutual fund investments with initial maturities at the time of the purchase of less than one year are recorded at cost. The calculation of realized gains and losses on investments that had been held more than one fiscal year and sold during the current year may have been recognized as an increase or decrease in fair value of investments reported in the prior year. Unrealized gains and losses are included in investment income in the accompanying financial statements and amounted to $53,127 at June 30, 2017.

Statements of Cash Flows

For purposes of the statements of cash flows, the Authority considers its cash and investments in the LAIF, to be cash equivalents that function as a demand deposit account, whereby funds may be withdrawn or deposited at any time without prior notice or penalty.

s. Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

t. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

u. Income Taxes

The Authority is a political subdivision of the State of California. Accordingly, the Authority is not subject to federal or state income taxes.

v. Pollution Remediation Liabilities

The Authority implemented GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations,* and currently does not believe it has any pollution remediation liabilities at June 30, 2017.

w. *Future Accounting Pronouncements*

The GASB has issued several pronouncements that have effective dates that may impact future presentations. The Authority is evaluating the potential impacts of the following GASB statements on its accounting practices and financial statements.

Issued in November 2016, GASB Statement No. 83, *Certain Asset Retirement Obligations* establishes standards of accounting and financial reporting for certain Asset Retirement Obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement.

This statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. Implementation of this statement is effective fiscal year 2019.

Issued in January 2017, GASB Statement No. 84, *Fiduciary Activities* establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Implementation of this statement is effective fiscal year 2020.

Issued in March 2017, GASB Statement No. 85, *OMNIBUS 2017*, is to address practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). Implementation of this statement is effective fiscal year 2018.

Issued in May 2017, GASB Statement No. 86, *Certain Debt Extinguishment Issues* is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources-resources other than the proceeds of refunding debt-are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. Implementation of this statement is effective fiscal year 2018.

Issued in June 2017, GASB Statement No. 87, *Leases* is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Implementation of this statement is effective fiscal year 2021.

Note 2: Cash and Investments

Cash and investments at June 30, 2017 are classified in the accompanying statements of net position as follows:

Summary of cash and investments:	**2017**
Cash and cash equivalents:	
Deposits with financial institutions	$ 4,750,074
LAIF	50,098,200
Cash	
Total cash and cash equivalents	$ 54,848,274

Investments funds are classified under the general headings of "restricted" or "unrestricted." The Authority has designated separate restricted reserves to carry on specific activities in accordance with special regulations, bond covenants, or enabling legislation. Restricted reserves are nondiscretionary in terms of use and provide for payment of debt service on Authority bonds, reserves for outstanding bonds, construction of long-term assets, and operations and maintenance. The Authority, after necessary fund transfers have been made to comply with bond covenants, has discretion as to the magnitude and use of the remaining unrestricted funds

	2017
Cash and investments – current assets:	
Operating fund	$ 50,072,046
Other restricted cash and investments:	
Passenger Facility Charge fund	2,097,925
Customer Facility Charge fund	2,678,302
Total other restricted cash and investments	4,776,228
Total cash and investments	$ 54,848,274

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a. Investments Authorized by the Code

The Authority Investment portfolio is governed by the California Government Code, Section 53600. The table below identifies the investment types that are authorized for the Authority by the Code.

Investment Type	Maximum Maturity	Maximum % of Portfolio	Minimum Rating
U.S. Treasury Obligations	5 Years	None	None
U.S. Agency Securities	5 Years	None	None
Local Agency Investment Fund	N/A	None	None
Negotiable Certificates of Deposit	5 Years	30%	None
Non-Negotiable Certificates of Deposit	5 Years	None	None
Bankers	180 Days	40%	None

Acceptances			
Commercial Paper	270 Days	25% non-pooled funds 40% pooled funds	Highest letter and number rating by an NRSRO
Repurchase Agreements	1 Year	None	None
Mutual Funds and Money Market Mutual Funds	N/A	20%	Various
Medium-Term Notes	5 Years	30%	"A" rating Category or equivalent or better

a. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Authority manages its exposure to interest rate risk is by purchasing a combination of shorter and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or corning close to maturing evenly over time, as necessary to provide the cash flow and liquidity needed for operations. None of the Authorities investments are considered highly sensitive to interest rate fluctuations.

Investment Type	Fair Value	12 Months or Less	13 – 24 Months	25 – 60 Months
LAIF	$50,098,200	$50,098,200	$0	$0

b. Concentration of Credit Risk

The Authority's investment policy limits the amount that can be invested in any one issuer in corporate notes, bankers' acceptances, commercial paper, negotiable certificates of deposit and time certificates of deposit to 5% of the applicable portfolio. The investment policy contains no other limitations on the amount that can be invested in any one issuer beyond that stipulated by the Code. The Authority's investment in LAIF was unrated.

c. Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposit or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Code and the Authority's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provisions for deposits: The Code requires that a financial institution secure deposits made by local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Authority deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

At June 30, 2017, a portion of the Authority's deposits with financial institutions were uninsured and the collateral was held in accordance with the Code by the pledging financial institution in the Authority's name, as follows:

	2017
Cash deposits:	
Insured	$ 250,000
Uninsured, collateral held in the Authority's name	6,258,047
Total cash deposits	6,508,047
Add: deposits in transit	
Less: outstanding checks	(1,757,973)
Carrying amount of cash deposit	$ 4,750,074

d. Investment in the State Treasurer's Local Agency Investment Fund

The Authority is a voluntary participant in the LAIF that is regulated by the Code under the oversight of the Treasurer of the State of California. The fair value of the Authority's investment in this pool is reported in the accompanying basic financial statements at amounts based upon the Authority's pro rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. As of June 30, 2017, the total amount invested by all California local governments and special districts in LAIF was $22.8 billion. LAIF is part of the State of California's Pooled Money Investment Account (PMIA), which as of June 30, 2017 had a balance of $77.6 billion. The PMIA is not SEC-registered to invest according to the Code. Included in PMIA's investment portfolio are certain derivative securities or similar products in the form of structured note totaling $825 million and asset-backed securities totaling $1.4 billion.

Note 3: Other Receivables

At June 30, 2017, the Authority recorded other current receivables not related to operating activities and, therefore, not included in accounts receivable on the accompanying statements of net position. The other receivables at June 30, 2017 consist of the following:

	2017
Due from LAWA	$ 391,782
Due from Airlines	1,679,000
Total other receivables	$2,070,782

Note 4: Capital Assets

Capital assets for the year ended June 30, 2017 were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, not being depreciated:				
Land	$0	$56,503,866	$0	$56,503,866
Total	$0	$56,503,866	$0	$56,503,866
Capital Assets, being depreciated:				
Site Improvements	$0	$4,966,248	$0	$4,966,248
Building and Improvements	$0	14,009,760	$0	14,009,760
IT Hardware and Software	$0	1,198,533	$0	1,198,533
Furniture and Fixtures	$0	35,149	$0	35,149

Machinery and Equipment	$0	589,740	$0	589,740
Total	$0	$20,799,430	$0	$20,799,430
Less accumulated depreciation:				
Site Improvements	$0	$644,674	$0	$644,674
Building and Improvements	$0	283,292	$0	283,292
IT Hardware and Software	$0	133,495	$0	133,495
Furniture and Fixtures	$0	5,632	$0	5,632
Machinery and Equipment	$0	185,795	$0	185,795
Total	$0	1,252,888	$0	1,252,888
Total capital assets being depreciated, net	$0	$19,546,542	$0	$19,546,542
Total capital assets	$0	$76,050,408	$0	$76,050,408

	2017
Land	$56,503,866
Site Improvements	4,966,248
Building and Improvements	14,009,760
IT Hardware and Software	1,198,533
Furniture and Fixtures	35,149
Machinery and Equipment	589,740
Total	77,303,296
Less: Accumulated Depreciation	1,252,888
Capital Assets – Net	$ 76,050,408

Included in the carry value above is approximately $74,743,552 of capital assets acquired in the purchase of ONT from LAWA on November 1, 2016. Depreciation expense amounted to $1,252,888 for the years ended June 30, 2017. Included in depreciation expense was approximately $1,051,500 from ONT assets purchased from LAWA.

Intangible assets consisted of the following at June 30, 2017:

	Beginning Balance	Increases	Decreases	Ending Balance
Intangibles, not being amortized:				
Land Use / Air Space Rights	$0	$7,273,370	$0	$7,273,370
Total	$0	$7,273,370	$0	$7,273,370
Intangibles, being amortized:				
Lease Value	$0	$131,170	$0	$131,170
Total	$0	$131,170	$0	$131,170

Less accumulated amortization:				
Lease Value	$0	12,032	$0	12,032
Total	$0	12,032	$0	12,032
Total Intangible assets being amortized, net	$0	$119,138	$0	$119,138
Total Intangible Assets	$0	$7,392,508	$0	$7,392,508

Note 5: Loans Payable

Loans payable consists of the following for the years ended June 30, 2017:

	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year
Loan Payable - LAWA	$0	$70,000,000	$16,151,511	$53,848,489	$0

	2017
Loan Payable - LAWA	$70,000,000
Less: Deferred Interest	(9,044,321)
Carrying value of Loan	60,955,679
Less: Payments on Loan	(7,710,144)
Amortization of deferred interest	602,954
Balances	$53,848,489

In connection with the acquisition of ONT from LAWA, a $70 million noninterest-bearing loan was due LAWA on the tenth anniversary of the closing. Subsequently, the parties agreed to modify the payment provisions of the settlement agreement. The revised agreement requires repayment to commence on the third anniversary from closing (November 1, 2019) by remitting to LAWA on an annual basis the sum of $2 per enplaned passenger (in excess of 2,082,721 passengers), a sum not less than $1 million or 100% of PFCs collected. The Authority may prepay the loan at any time applying a discount of 1.1%.

The original loan from $70 million was for a 10-year term and noninterest bearing. The loan was discounted to net present value using expected future cash flows at a weighted average discount rate of 1.83%. The discount rate reflects the yield on 10-year U.S. Treasury notes at the inception of the loan. Aggregate deferred interest in the amount $9,044,321 was imputed and is amortized to operations over the life of the loan. There is no fixed amortization schedule.

Note 6: 2016 Revenue Bond

Bonds Payable consisted of the following at June 30, 2017:

	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year
Revenue Bond	$0	$52,015,000	$3,895,000	$48,120,000	$4,805,000

On November 1, 2016, the Authority issued $52,015,000 of 2016 Airport Revenue Bonds ("2016 Bonds") with an effective interest rates ranging from 1.290% to 2.998% issued at par. The 2016 Bonds are special limited obligations of the Authority payable solely from, and secured solely by a pledge of the net revenues and amounts in certain funds established under the Master Indenture of Trust, as amended, and the Debt Service Reserve Fund (provided through a surety). The 2016 Bonds are subject to redemption at the Authority's option prior to maturity, subject to a redemption premium.

The net proceeds of the 2016 Bond were as follows:

Bonds Payable	$ 52,015,000
Underwriters Discount	(366,988)
Premium on 2016 Bond Insurance Policy	(115,798)
Premium on 2016 Bond Reserve Surety Bond	(119,635)
Bond Issuance Costs	(2,151,865)
Net Proceeds from 2016 Bonds used to extinguish LAWA 2006 Bonds	$ 49,260,714

The 2016 Bonds are due in principal installments on May 15th annually with interest installments due on May 15th and November 15th each year. In connection with the bond financing, the Authority secured a Bond Reserve Surety Bond in the with a face value of $5,201,500 to provide coverage for debt service. The balance outstanding as of June 30,2017 was $48,120,000.

Debt service payments through maturity are as follows at June 30, 2017:

	Principal	Interest	Total
May 15, 2018	$ 4,805,000	$1,163,631	$5,968,631
May 15, 2019	4,910,000	1,088,817	5,998,817
May 15, 2020	5,010,000	999,553	6,009,553
May 15, 2021	5,145,000	895,145	6,040,145
May 15, 2022	5,290,000	782,778	6,072,778
May 15, 2023	5,455,000	651,375	6,106,375
May 15, 2024	5,645,000	507,690	6,152,690
May 15, 2025	5,820,000	349,743	6,169,743
May 15, 2026	6,040,000	181,079	6,221,079
Total	$48,120,000	$6,619,811	$54,739,811

Interest expense for the years ended June 30, 2017 amounted $838,083.

a. Pledged Revenues, Flow of Funds and Bond Covenants

The 2016 Bonds are special obligations of the Authority payable solely from and secured solely by a Pledge Revenues. Pledged Revenues is defined in the Master Indenture to mean all income, receipts earnings, and revenues received by the Authority. The Authority covenants that as longs as the bonds are outstanding that it will collect Pledged Revenues in amounts sufficient to provide for the flow of funds to the prescribed reserves. The Authority adheres to a strict regimen with respect to the flow of fund with cash receipts and cash disbursements. All receipts are deposited in the Airport Revenue Funds. Funds are then allocated and reserved for the following reserves: maintenance and operations, debt service, reserve, construction, and surplus (See Footnote 1). Net Pledged Revenues is defined to mean operating revenue plus investment income on operating funds less operating expenses before depreciation.

The Bond indenture contains various affirmative, negative and financial covenants. The primary financial covenant is a Debt Service Coverage Ratio defined as "net pledged revenues equal to at least 125% of aggregate annual debt service for that fiscal year". If the authority violates the covenant, it will not constitute a default in the event the Authority cures violation within 120 days if its discovery. The Authority was in compliance with all covenants at June 30, 2017.

b. Leases

The Authority leases land, terminal, hangar, and administrative facilities to various entities under operating leases, airlines, concessions, and ground transportation companies. The cost of the Authority's leased property and the related accumulated depreciation by asset type is presented as of June 30, 2017 as follows:

	2017	
	Carrying value	**Accumulated Depreciation**
Land	$ 56,503,866	$ -
Buildings and improvements	13,412,863	172,699
Site improvements	4,966,248	400,665
	$ 74,882,977	$ 573,364

The leases on such properties expire at various times, and generally, terms are provided whereby lease terms may be extended.

Building and Land Rents are charged to Airlines for the use of airfield, exclusive terminal use and an allocation of common use space. Fixed rental rates are set each year in accordance with the Use and Operating Agreement. Concession revenues can are typically based as a percentage of gross receipt often subject to a minimum annual guaranty ("MAG").

Minimum future rental revenue on non-cancelable leases in effect at June 30, 2017, for the next 5 years is as follows:

	Lease revenue
Fiscal year ending June 30:	
2018	$ 19,458,331
2019	13,043,108
2020	5,082,259
2021	5,055,858
2022	5,055,858
	$ 47,695,414

Note 7: Related Party Transactions

The Authority is charged for services and items from City of Ontario departments that are categorized in the various expense line items in the statements of revenues, expenses, and changes in net assets. The most significant are payments for City parking tax, law enforcement, utilities and administrative services. The Airport is subject to a 12% tax on parking revenue payable to the City of Ontario monthly. Administrative services include resources for information technology, human capital management and accounting. Amounts due to related parties amounted to $3,297,556 at June 30, 2017 are included in Due to Related Parties on the accompanying basic financial statements.

The Authority incurred the following expenses from the City during the years ended June 30, 2017:

		2017
Parking Tax	$	1,634,784
Law Enforcement		3,029,151
Utilities		423,280
Administrative Services		458,646
Total	$	5,545,861

The Authority is also charged for services from County of San Bernardino departments that are categorized in the various expense line items in the statements of revenues, expenses and changes in net position. The most significant are payments for emergency communications systems totaling $259,481 during the year ended June 30, 2017.

Note 8: Commitments and Contingencies

a. Litigation and Claims

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; workers' compensation; war risk and natural disasters for which the Authority carries commercial insurance, subject to deductibles ranging from $10,000 to $100,000. No settlements exceeded insurance coverage during the year ended June 30, 2017.
The Authority from time to time is subject to various litigation, claims and assessments in the ordinary course of business. The authority does not believe the outcome of any such matters will have any material adverse effect on the financial position or change in net position.

b. LAWA Staff Augmentation Agreement

In connection with the acquisition of ONT from LAWA, The Authority entered into an agreement to with LAWA to utilize existing ONT staff in order to ensure an effective and efficient transition. The Staff augmentation agreement which became effective with the closing will remain in effect for 21 months with an additional 90 days to accommodate any transition period.

Under the agreement, the Authority will be responsible for all aspects of the operations of ONT. However, to ensure continuity of services and safety, LAWA will provide personnel in substantially the same number of employees, to perform key operations such as airfield operations, facilities maintenance and custodial services, security, aircraft rescue and firefighting services.

The Authority will be responsible for reimbursing LAWA for the base amount of salary and overtime for the for employees working at ONT, as well as certain additional costs and administrative charges. Retirement and pension obligations of employees assigned to work at ONT remain the responsibilities. Amounts paid under the staff augmentation agreement amounted to $20,869,576 at June 30, 2017, and is included under salary and benefits in the accompanying financial statements.

During the term of the staffing agreement, the Authority, at its option, can notify LAWA that one or more of the positions being filled by LAWA has become redundant to ONT's operation. Once notice of a redundant position had been given to LAWA, LAWA has 60 days to matriculate that employee back within its workforce. If LAWA admits the redundant position back within its workforce in a capacity that it otherwise was not looking to fill, the Authority will be liable to LAWA for an amount equal to 6 months of the employee's compensation.

c. Airline Rates and Methodologies

Airline rates and charges methodologies refer to how airports charge airlines for the use of airport facilities and equipment. Airports typically set a landing fee for the use of an airfield, and a terminal rental rate for the use of terminal space. Implicitly, they determine how the costs of landside operations, such as parking, rental car operations, or ground transportation are recovered. Many airports also choose to set rates for other facilities and equipment such as common-use terminal space and equipment, jet bridges.

The aviation industry typically classifies rate methodologies into 3 types: residual, compensatory, and hybrid. The residual methodology refers an approach in which the airlines collectively assume significant financial risk by agreeing to pay any costs of running the airport that are not allocated to other users or covered by nonairline sources of revenue. The compensatory approach refers to the approach in which the airport assumes the major financial risk of running the airport and charges the airlines fees and rental rates to recover the actual costs of the facilities and services that they use.

ONT operates under the residual methodology for rates and charges. As such, at the beginning of each fiscal year, the Authority projects it costs and revenues to determine how much net costs need to be recovered through charges to the airlines via landing fees and rental rates. During the fiscal year, the Authority will collect fees according to this rate schedule. At the conclusion of each fiscal year, the Authority will compare the actual revenues generated and costs incurred to those projected at the beginning of the year to determine whether Authority collected an excess amount from the airlines or whether a shortage existed. If the Authority determined that an excess amount was collected the surplus will be returned to the airlines. Conversely, if a shortage was determined, the Authority would be entitled to a shortfall. At June 30, 2017, the Authority determined that collections from airlines were deficient in the amount of approximately $1,679,000 and accordingly has been recorded as Other Receivables in the accompanying financial statements. Allocations between landing fees and rentals will be finalized upon airline review. As of June 30, 2016, a surplus of approximately $6,103,000 was collected and is included in Due to Airlines in the accompanying financial statements. The amount was subsequently paid in November 2017.

Note 8 Subsequent Events

In September 2017, the Commission approved the purchase of a new Enterprise Resource System (“ERP“). The ERP system is estimated to cost approximately $2.1 million. The Authority elected to finance the purchase of the ERP system with an unrelated third-party institution. Under the terms of the lending agreement, the Authority will take periodic drawdowns from the credit facility over a 12-month term sufficient to pay progress payments on the ERP system until the design and implementation is complete. Payments under the agreement commence in April 2018 and are payable monthly over a 5-year term with interest at 3.7% per annum. The Debt will be subordinate to the 2016 Bonds Payable and the Loan Payable to LAWA.

Subsequent to year end, the Authority and a consortium representing the airlines negotiated to contract out maintenance and operational functions to an unrelated third-party provider. The provider will provide services related to the terminals and other landside areas. The airline consortium is directly responsible for payment of the maintenance functions to the provider. The effect of the outsourcing of the maintenance functions will be a reduction in costs incurred by the Authority regarding salaries, parts, supplies and other contracted maintenance services. The reduction in costs will be reflected in subsequent rates and charges adjustments levied to the airlines for rents and landing fees. In connection with the outsourcing of these functions, the Authority sold to the maintenance equipment to the services provider.

In February 2018, the Authority contacted out operational and maintenance services relating to the airfield operations to an unrelated third-party provider. The airfield service provider is also unrelated to the terminal and landside service provider. The Authority is responsible for payment for these services.

In July 2017, the Authority entered into a consulting agreement with a former executive of the County of San Bernardino. The term of the agreement is for a 3-year period with monthly payments of $20,000. In the event of non-renewal at conclusion of the contract, compensation under the contract will continue for a period of one year.

Also, in July 2017, the Authority entered into a consulting agreement with a former executive of the City of Ontario. The term of the agreement is for a 3-year period with monthly payments of $20,000. In the event of non-renewal at conclusion of the contract, compensation under the contract will continue for a period of one year.

Note 9 Insurance

The Authority maintains various insurance coverage as follows:

Type	Limits		Deductibles
Property and Equipment	$250,000,000	All Property	$25,000
	$100,000,000	Equipment	$10,000
General Liability	$100,000,000	General	$ -
	$100,000,000	Excess	$ -
Workers Compensation	$5,000,000	Statutory Limits	$ -
Directors and Officers	$2,000,000	Errors and Omissions	$ -

The Authority also maintains policies providing coverage for primary and excess earthquake events, underground storage tanks Foreign travel and automobile policies. The coverages on those policies range from $250,000 to $15,000,000 with deductibles from $0 to $100,000.

Ontario International Airport Authority

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

June 30, 2017

CPAs AND ADVISORS

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Commissioners
Ontario International Airport Authority
City of Ontario, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Ontario International Airport Authority (the Authority) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated ____________, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described below and labeled material weaknesses to be material weaknesses:

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described below and labeled significant deficiencies to be significant deficiencies:

To the Board of Commissioners
Ontario International Airport Authority
City of Ontario, California

2017 -001: Segregation of Duties and Review of Key Processes

Material Weakness: Journal Entries

Finding: Journal entries are how accounting transactions are recorded in the accounting system. Proper accounting controls should provide for proper review and approvals for all journal entries. In addition, employee duties should be segregated to prevent any one person from recording accounting transactions into the accounting system through journal entries. We noted there are no formal system restrictions on the ability to post journal entries for individuals with access to the accounting system, and therefore there was a risk of a journal entry being posted without management's knowledge. We noted there was no formal daily or periodic review and approval process in place in regards to journal entries. These facts present the risk of unapproved journal entries being posted to the accounting system.

Recommendation: We recommend that accounting system restrictions be implemented to prevent any one individual from posting a journal entry without a formal review and approval process. We also recommend all journal entries are reviewed and approved on a timely basis prior to posting.

Management Response: We concur with your observation with respect to review and approval of journal entries. Although formal policies with respect to journal entry approval had been documented, journal entries were not approved in a timely or consistent manner. Out forthcoming ERP system bas been configured not only to restrict the access to create journal entries to specified individuals but also to require approval from the appropriate level of management prior to posting.

Material Weakness: Bank Reconciliations

Finding: Account reconciliation, including cash reconciliations, is a critical function for accounting. Proper accounting controls should provide for proper review and approval and should be performed by individuals without direct access to the accounting system to record accounting transactions. We noted only one individual was involved in the bank reconciliation process during the period under audit. This same individual was primarily responsible for the posting of journal entries. These facts present the risk of unapproved journal entries being posted to the system and the risk of the misappropriation of assets.

Recommendation: We recommend bank reconciliations are prepared, and reviewed and approved, by separate competent individuals on a timely basis.

Management Response: We concur with your observation with respect to the preparation of bank reconciliations. We will reassign duties with respect to this function. The new ERP system will be configured with the appropriate protocols to ensure a proper segregation of duties as well as automatically integrate banking transactions into the reconciliation modules.

Material Weakness: Purchasing and Disbursements

Finding: Proper accounting controls should provide separation of duties over procurement and processing transactions. We noted the CFO was primarily responsible for approving purchase orders and for processing disbursements. When these two duties are assumed by one individual, there is a risk of the initiation, approval, and distribution of disbursements for which management is not aware.

Recommendation: We recommend the system of internal control is revised so that these two duties are properly segregated in every instance. In addition, approved purchase orders, approve d invoices, receiving reports should be attached with supporting documents prior to processing payment.

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CPAs AND ADVISORS

To the Board of Commissioners
Ontario International Airport Authority
City of Ontario, California

Management Response: We concur with your observation with respect to PO approvals. With commencement of the new ERP system, PO's will be automatically routed to appropriate supervisory position.

Significant deficiency: Controls over Revenue

Finding: Parking revenues are significant for the Authority. Significant revenues should be properly monitored and reviewed. We identified that the parking revenue reports and deposits are not being properly reviewed and posted timely.

Recommendation: It is recommended that the Authority become more familiar on a detailed level regarding the information presented in the daily and monthly revenue reports, including exceptions, received from the parking management company and to monitor and track. The parking reports should be reviewed timely and be reviewed by someone other than the one responsible for posting receipts.

In addition, "promises to pay" (PTP) should be tracked and monitored.

Management Response: We concur with your observation with respect to review and monitoring of daily and monthly parking reports. We have recognized the need for oversight and have meetings in this regard to establish the optimal scope of the review. We have scheduled meetings with our parking management company to discuss obtaining further information to facilitate these reviews.

PTP's have been incorporated into this monitoring system.

Finding: Rental car revenues are significant for the Authority. Significant revenues should be properly monitored and reviewed. We identified that the rental car revenue reports are not being properly reviewed.

Recommendation: We recommend that the Authority staff become more familiar on a detailed level regarding the information presented in the monthly revenue reports received from the rental care agencies and to be aware of exceptions, unpaid bills, and to monitor and track.

Management Response: We will develop and implement and internal system to track and monitor items with respect to rental car reports.

Finding: Other concession revenues are significant for the Authority. Significant revenues should be properly monitored and reviewed.

Recommendation: We recommend that the Authority perform periodic audits to review collection procedures and to review selected days' collections on a detailed level by comparing supporting documents to the revenue reports received.

Management Response: We concur with your observation with respect to review and monitoring of revenue reports. We have recognized the need for oversight and have met to determine the optimal scope of review. Information obtained from concessionaires in connection with our ongoing compliance with our DBE/ACDBE program will assist in this regard.

Finding: Building lease revenues are significant for the Authority. Significant revenues should be properly monitored and reviewed.

CPAs AND ADVISORS

To the Board of Commissioners
Ontario International Airport Authority
City of Ontario, California

Recommendation: We recommend that the Authority create and use a master schedule of all tenants for building leases. The schedule should be used to track when bills are sent out and when payments are received. A unique bill number and sequential bill numbers for each customer shall be used and tracked. Any other important information should be noted as well. The schedule should be reviewed by the person preparing the bills and a secondary level of review on a regular basis. The person receiving/tracking receipt of payments should not be the one posting the journal entry to record revenue.

Management Response: We concur with your observation with respect to maintaining a comprehensive master log of our lease contracts. Management has undertaken the arduous process of cataloguing the extensive volume of contracts into lease management software system. The system will not only act as a document repository but will provide management tools useful in monitoring lease activities.

Finding: Landing fees revenues are significant for the Authority. Significant revenues should be properly monitored and reviewed. We also identified some discrepancies between the number of flights that have landed when comparing reported amounts by airlines and the field operations department.

Recommendation: We recommend a master schedule track the information and that the schedule is properly reviewed and timely reconciled. In addition, landing weight should be reviewed to determine correct landing fee being calculated. Deposits for all collections should be made on a timely basis.

Management Response: We concur with your observation with respect to monitoring landing reports. We will develop and implement an internal system to track and monitor these reports. We will also meet to determine the optimal scope of review.

<u>2017 –002: Internal Controls over Financial Reporting</u>

Significant Deficiency: Documentation of controls

Finding: Documentation to support that proper control functions in place and being performed are critical to internal control including proper verifications and monitoring. We identified a lack of sign-offs to indicate performance of internal controls on documentation related to items impacting financial reporting and include revenues and expenses.

Recommendation: We recommend that reporting packages and sign-offs related to items affecting financial reporting be properly evidenced for the existence of effective internal controls being performed on a regular basis.

Management Response: We concur with your observation with respect to review and sign-off. During the audit period, the Authority was in the process of implementing its internal control structure. Subsequent to year end, management began to implement procedures to allow for an efficient and effective flow of transactions through the accounting system permitting approvals at the appropriate levels. Additionally, the Authority's intention has been and remains to implement an ERP System with internal controls configured that allow segregation of duties and ensure that transactions will be recorded in accurate and timely fashion.

To the Board of Commissioners
Ontario International Airport Authority
City of Ontario, California

Significant Deficiency: System

Finding: The Authority in its transition to operational control of the airport utilized QuickBooks Accounting system. The Authority, after the year under audit has begun to transition to a new ERP system which improved controls capability, however during the period under audit, the use of QuickBooks Accounting did not provide for important user permissions which created risks for financial reporting.

Recommendation: We recommend that the system be updated, as planned, and the design of the system accounts for improved control capability to ensure proper financial reporting.

Management Response: We concur with your observation with respect to QuickBooks. We have however, limited most user's ability to access information pertinent to their job functions. Implementation of new ERP system is in process.

Significant Deficiency: Payroll Controls

Finding: QuickBooks does not appear to have the capability to run, or the Authority does not run, a change log in regards to payroll for a given payroll.
Recommendation: We recommend a change log be prepared and reviewed for a given payroll.

Management Response: We concur with your observation with respect to payroll. The new ERP system has been configured to segregate security with respect to payroll access.

Signifcant Deficiency: Budget and Actual Comparisons

Finding: Proper accounting controls provide for reporting of budget and actual reports. In addition, controls should be in place to properly monitor variances. We noted that budget and actual reports were not being reviewed during the period under audit.

Recommendation: It is recommended that budget and actual reports be prepared and provided regularly to management and the board. Variances should be properly investigated. In addition, it is recommended, that the adopted budget include a breakdown at the account level as reported in the financial trial balance.

Management Response: We concur with your observation with respect to periodic budget to actual reviews. Subsequent to year-end, management began the process of formal budget versus actual comparisons, beginning with the five months ended November 30, 2017 which was presented to the Board of Commissioner. We fully intend to present budget versus actual comparisons on, at least, a quarterly basis. We are scheduled for the next presentation for April 2018 commission meeting. Additionally, once the ERP system is implemented, budget checks are to be implemented at the transaction level which lend to a timelier production of budget information.

We also agree with the templated structure of the budget used for the period ending June 30, 2018 which you reviewed and could be modified and bear closer relationships to the trial balance accounts. The budget format that was used was adopted from the predecessor and was in such format that is familiar to the users of the budget. Notwithstanding, we intend to reformat the budget modeling that will more closely coincide with the structure of our accounting system.

To the Board of Commissioners
Ontario International Airport Authority
City of Ontario, California

Significant Deficiency: Investment Report

Finding: We identified that the investment/treasurer's report was not being presented to the Board.

Recommendation: The investment/treasurer's report should be presented to the Board on at least a quarterly basis, as required by OIAA's Investment Policy.

Management's Response: We concur with your observation with respect to the investment reports. We will begin to present them at the next meeting.

Material Weakness: Purchasing Policy

Finding: We identified that a procurement manual was not adopted and effective until after year-end under audit and therefore no formal policy was approved during the period under audit. The Authority did rely on procedures; however, they were not formally adopted.

Recommendation: A formal policy that is approved by the Board should be in place.

Management Response: We concur with your observation with respect to the adoption of the authority's procurement manual. From the date of obtaining control of ONT through year-end, we proceeded with re-existing procurement protocols familiar to the staff in place. We adopted the initial procurement policy on September 28, 2017 as subsequently revised December 2017.

Material Weakness: Procurement Credit Cards

Finding: Through inquiry with management and other personnel, we noted there was no formal procurement credit card policy in place during the period under audit. We performed additional testing on related transactions and noted items of concern which included no procurement credit card policy, several charges and statements lacked evidence of any approval by appropriate personnel, certain charges were unable to be confirmed as for legitimate business purpose or approved by the Authority, certain charges lacked supporting receipts, and review procedures relating to statements and receipts were not performed on a timely basis.

Recommendation: A policy should be adopted that covers appropriate use and approval and authorization for credit card transactions. The policy should describe proper documentation and support required and the review procedures for timely payment.

Management Response: We concur with your observations with respect to procurement cards. We have taken steps to redesign the controls over and reporting there on of card transactions. The new ERP system has specific capabilities designed to record PCard transactions at their source and will also route approvals directly to the appropriate supervisory position.

To the Board of Commissioners
Ontario International Airport Authority
City of Ontario, California

Material Weakness: Contracts and Procurement

Finding: Through inquiry with management and other personnel, we noted there was no formal procurement policy in place during the period under audit. We performed additional testing on expenditures and contracts and noted items of concern which include:

- Certain vendors were contracted for estimated costs below $100,000, which is the threshold requiring Board approval, and while the actual costs ended up exceeding the threshold and were not subsequently brought to the Board's attention

- Several contracts have been assumed by the Authority which were initiated by LAWA or the City of Ontario and have not been brought to the Board's attention or re-evaluated for appropriateness,

- Multiple vendors had multiple identical contracts which individually fall below the Board's threshold but collectively exceed it and have not been brought to the Board's attention

- None of the vendors selected during our tests appeared to be selected by the Authority through a formal required bidding process.

Recommendation: A formal procurement policy should be approved and followed. The controls by the Authority should provide for detection of contracts to not exceed set limits.

Management Response: We concur with your observations with respect to certain select contracts. We have taken steps to redesign the control over procurement transactions. The procurement manual adopted in September 2017 (as amended December 2017) has since been disseminated to individuals involved in procurement. Additionally, the new ERP system has been designed to accommodate budget checks at the transaction level which will alert the user prior to any overages.

<u>2017 –003: Proposed Audit Adjustments to Financial Statements</u>

Significant Deficiency: Fair Value of Investment Pool

Finding: We noted that the fair value of the Authority's investment in LAIF was not recorded. We also noted that the accrued internal receivable for the 4th quarter for interest earned was not recorded.

Recommendation: We recommend these adjustments be made to record fair value and earned interest to the financial statements at June 30.

Management Response: We concur with your observation with respect to the adjustment to fair market value. The quarterly LAIF statements received, indicate ending balance, however we were unaware, that the pool participation mark to market is required. We have since obtained direct access to the account and have all correspondence directed to appropriate individual.

Material Weakness: Compensated Absences

Finding: Although an analysis and supporting calculation of the liability related to compensated absences was performed, we noted the related liability of $180,388 was not recorded. Upon communication with management, the liability was subsequently booked and is reflected in the financial statements.

Recommendation: The liability should be calculated and recorded in the financial statements at June 30.

To the Board of Commissioners
Ontario International Airport Authority
City of Ontario, California

Management Response: We concur with your observation with respect to the adjustment for compensated absences. Although the adjustment was identified by management in a timely manner, the adjustment was not posted to the financial statements in a timely manner thus not appearing in the general ledger when presented to auditors.

Material Weakness: Expenditures and Accounts Payable

Finding: During our search for unrecorded liabilities, we noted two improper accruals and an expense that was not properly accrued. Annual insurance costs for fiscal year 2017-18 in the amount of $385,869 was improperly accrued. Annual worker's compensation premium costs for fiscal year 2017-18 in the amount of $150,040 was improperly accrued and recorded as a prepaid expense. Payroll expenses for LAWA employees in the amount of $1,131,884 was not properly accrued. The net effect of these three errors was an overstatement of assets in the amount of $150,040, an understatement of expenditures in the amount of $746,015, and an understatement of liabilities in the amount of $595,975. Upon communication with management, the corrections were made and are reflected in the financial statements.

Recommendation: Proper accounting should provide for a cut-off of liabilities at period end and reporting of expenditures and liabilities should be reported in the period in which they relate.

Management Response: We concur with your observation with respect to insurance expense. The premiums paid in June 2017 were initially expenses. We also concur with your observation with respect to the LAWA employee expense. Management recorded the accrued LAWA cost for the period 6/24/17 to 6/30/17. In conducting an internal search for unrecorded liabilities, we identified and documented the need to record in the amount $1,131,884 but neglected to record the entry in a timely fashion. The prepaid insurance invoice was received prior to June 30, 2017 and as a practical matter was entered into accounts payable with an offsetting entry to prepaid expenses. The entry had no effect on current ratio, net position or net income for the year ended June 30, 2017.

Material Weakness: Revenue and Receivables for Passenger Facility Charges

Finding: During our testing of PFCs, we noted that it appeared as if certain revenue and receivables were not recorded for which the Authority had rights to. After further review and analysis by the Authority, it was determined the amount of unrecorded PFCs revenue and receivables was $1,034,783. Upon communication with management, the revenue and receivables were subsequently booked and is reflected in the financial statements.

Recommendation: At June 30 each year, the Authority should ensure all revenues are accounted for in the proper accounting period under the accrual basis of accounting.

Management Response: We concur with your observation with respect to the PFC's. Initially PFC's were recorded on a cash basis. We will in the future record accruals when preparing financial statements for external use.

To the Board of Commissioners
Ontario International Airport Authority
City of Ontario, California

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed the following instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards:*

<u>2017 –006: Passenger Facility Charges (PFCs) Compliance</u>

Maintaining PFC Funds in Non-Interest-Bearing Accounts

Finding: PFC funds were improperly held in non-interest-bearing bank accounts when received. Per section 158.67(a) of 14 CFR Part 158, the Authority is required to keep any unliquidated PFC revenue remitted to it on deposit in an interest-bearing account or in other interest-bearing instruments used by the agency. The interest earned on such PFC revenue may only be used to pay allowable costs of approved PFC-funded projects or obligations. During our inquiry and testwork, it was noted that the Authority did not earn interest on the PFC funds, as seen on the Schedule of Passenger Facility Charge Revenues and Expenditures. We recommend that all PFC funds are deposited upon receipt in an interest-bearing account.

Recommendation: PFC funds should be deposited in interest bearing accounts.

Management Response: We concur with your observation and have since opened a specific interest bearing account for PFC's.

Quarterly Reporting Procedures – Reports Not Prepared nor Distributed by OIAA

Finding: During our inquiry and testwork, it was noted that the Authority did not prepare nor submit the required quarterly reports due to the air carriers and the Federal Aviation Administration (FAA). Per section 158.63 of 14 CFR Part 158, the Authority is required to provide quarterly reports to airport carriers collecting PFC revenues for the Authority, with a copy distributed to the appropriate FAA Airports office. The PFC quarterly report must include PFC revenue received from collecting carriers, interest earned, and expenditures for the quarter. The report must be provided on or before the last day of the calendar month following the calendar quarter or other period agreed by the public agency and collecting carrier.

Recommendation: We recommend that the Authority provides the quarterly reports to the carriers collecting PFC revenues and the appropriate FAA Airports office.

Management Response: We concur with your observation and have since submitted all required filings.

Quarterly Reporting Procedures – Reports Not Prepared nor Distributed to OIAA

Finding: During our inquiry and testwork, it was noted that the Authority did not receive nor request the required quarterly reports from each air carrier collecting PFC revenues. Per section 158.65 of 14 CFR Part 158, each air carrier collecting PFC revenues for the Authority is required to submit a quarterly report to the Authority. The PFC quarterly report shall state the collecting air carrier and airport involved, the total PFC revenue collected, the total amount of PFC revenue refunded to passengers, and the amount of collection withheld by the collecting carrier for reimbursement of expenses. The report must be provided on or before the last day of the calendar month following the calendar quarter or other period agreed by the public agency and collecting carrier.

Recommendation: We recommend that the Authority implements procedures to track air carrier remittances and reporting, and to notify carriers of their obligations when the remittances and reporting are not in compliance.

Management Response: We concur with your observation and have since submitted all required filings.

Noncompliance with Funding Plan, Attachment A Section 7c

Finding: Through review of the Funding Plan between the Authority and LAWA, Attachment A, Section 7c, we noted the Authority's payment of PFCs to LAWA shall be made quarterly, no later than ten (10) days after the Authority is required to submit its quarterly PFC reports in accordance with section 158.63 of 14 CFR Part 158. During the fiscal year, we noted the Authority remitted PFCs collected through April 2017 to LAWA. Additional PFC collections of approximately $1,501,814 were received in May and June of the fiscal year, but were not remitted to LAWA in a timely manner. If they were remitted to LAWA in a timely manner, cash and the liability due to LAWA would have been reduced by approximately $1,501,814.

Recommendation: We recommend the Authority implement procedures to ensure timely remittances of PFC collections in accordance with the Funding Plan.

Management Response: We concur with your observation and have since submitted all required filings. We had after year-end begun to transmit PFC's to LAWA on a quarterly basis.

Revenue and Receivables for Passenger Facility Charges

Finding: During our testing of PFCs, we noted that it appeared as if certain revenue and receivables were not recorded for which the Authority had rights to. After further review and analysis by the Authority, it was determined the amount of unrecorded PFCs revenue and receivables was $1,034,783. Upon communication with management, the revenue and receivables were subsequently booked and is reflected in the financial statements.

Recommendation: At June 30 each year, the Authority should ensure all revenues are accounted for in the proper accounting period under the accrual basis of accounting.

Management Response: We concur with your observation with respect to the PFC's. Initially PFC's were recorded on a cash basis. We will in the future record accruals when preparing financial statements for external use.

To the Board of Commissioners
Ontario International Airport Authority
City of Ontario, California

<u>2017 –007: Customer Facility Charges (CFCs) Compliance</u>

Maintaining Customer Facility Charges Funds in Non-Interest-Bearing Accounts

Finding: CFC funds were improperly held in non-interest-bearing bank accounts when received. Although AB-2051 does not specifically state the requirement to hold CFC funds in interest-bearing accounts, Ontario International Airport Authority should keep any unliquidated CFC revenue remitted to it on deposit in an interest-bearing account or in other interest-bearing instruments used by the agency. The interest earned on such CFC revenue may only be used to pay allowable costs of approved CFC-funded projects or obligations. During our inquiry and testwork, it was noted that the Authority did not earn interest on the CFC funds, as seen on the Schedule of Customer Facility Charges Revenues and Expenditures.

Recommendation: CFC funds should be deposited in interest bearing accounts.

Management Response: We concur with your observation and have since opened a specific interest-bearing account for CFC's.

Expired License Agreement with Rental Agency

Finding: Per inspection of the Fox Rent-A-Car Agreement, the latest contract expired on January 31, 2017 and was not renewed as of the date of fieldwork. The Authority continued to collect CFC revenue for the remainder of the fiscal year under the expired contract terms. The Ontario International Airport Authority is required to update their car rental agency contracts, in compliance with the CFC imposition.

Recommendation: We recommend that the Ontario International Airport Authority maintain updated and binding contracts with all on-airport and off-airport car rental agencies.

Management Response: We concur with your observation with respect to the CFC's. We are aware of the lease terms and have been actively renegotiating the agreement.

Monthly CFC Revenues Not Reconciled to Rental Agency Reports

Finding: During our inquiry and testwork, it was noted that the Authority did not reconcile the monthly CFC revenues collected from the car rental agencies to rental agency reports. As such, there is a risk that revenues received from car rental agencies do not accurately represent the revenues generated throughout the month.

Recommendation: We recommend that the Ontario International Airport Authority require the participating car rental agencies to submit monthly CFC reports along with the CFC payments.

Management Response: We concur with your observation and will develop and implement an internal system to ensure revenues are reconciled to the rental agency reports.

Authority's Response to Findings

The Authority's response to the findings identified in our audit was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

To the Board of Commissioners
Ontario International Airport Authority
City of Ontario, California

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lance, Soll & Lunghard, LLP

Brea, California
______________, 2017

ONTARIO INTERNATIONAL AIRPORT AUTHORITY

ONTARIO INTERNATIONAL AIRPORT

DATE: **MARCH 23, 2018**

SECTION: **CONSENT CALENDAR**

SUBJECT: **AUTHORIZE THE AUTHORITY CHIEF EXECUTIVE OFFICER (CEO) AND DESIGNEES TO REVIEW PROPOSALS FOR REAL ESTATE BROKERS TO REPRESENT THE AUTHORITY FOR THE POSSIBLE LONG-TERM LEASE OF NON-AERONAUTICAL USE REAL PROPERTY AT ONTARIO INTERNATIONAL AIRPORT (ONT), AND RECOMMEND TO THE AUTHORITY COMMISSION THE POSSIBLE SELECTION OF A BROKER FOR SUCH PURPOSE.**

RELEVANT STRATEGIC OBJECTIVE(S): Develop Airport-Related Businesses.

RECOMMENDED ACTION: That the Ontario International Airport Authority ("OIAA" or "Authority") Commission authorize the Authority CEO and his designees to review proposals for licensed real estate brokers to represent the Authority in the possible long-term lease of ONT real property that is not used for aeronautical purposes, and recommend to the Authority Commission a qualified broker or brokers to be retained and selected for such purpose.

FISCAL IMPACT SUMMARY: Possible retention or selection of a qualified real estate broker(s) to represent the Authority in the possible long-term lease of ONT real property that is not used for aeronautical purposes would not have any negative impact on ONT finances. The fees for any real estate broker services would only be paid out of any possible long-term lease transaction.

BACKGROUND:

Boot Property

The "Boot Property" is generally bounded by Airport Drive to the north, Jurupa Street to the south, Haven Avenue to the west, and Doubleday Avenue to the east and consists of twenty-four (24) separate parcels totaling approximately 200.5 acres within the boundaries of the Ontario International Airport ("ONT" or "Airport"). The Boot Property is further split between "buildable" parcels totaling approximately 147.5 acres, and "yard space" parcels totaling approximately 53 acres that are directly under the final approach to Airport Runways 26L and 26R.

STAFF MEMBER PRESENTING: Mark A. Thorpe, Chief Executive Officer

Prepared by:	Mark A. Thorpe	Submitted to OIAA:	March 23, 2018
		Approved:	
Department:	Administration	Continued to:	
Chief Executive Officer Approval:	Mark A. Thorpe	Denied:	

Item No. 12

OIAA Staff has determined that the Boot Property currently is not being utilized, <u>and is not needed in the future, for any aeronautical purposes</u>.

The Authority acquired the Boot Property in the transfer of ONT from the City of Los Angeles in November 2016. OIAA Staff informs that (1) the City of Los Angeles had acquired the Boot Property in stages from January 1998 to June 1999 using airport revenues, (2) no Passenger Facility Charge ("PFC") collections or Airport Improvement Program ("AIP") grant funds were used for the purchase of the Boot Property, and (3) no part of the Boot Property was acquired by a Federal deed.

OIAA Staff has also determined that all existing aeronautical land uses of ONT property are located west of South Haven Avenue, which divides the Airport from north to south. The Boot Property parcels are all east of South Haven Avenue. South Haven Avenue is an eight-lane, principal arterial, divided highway that directly connects to Interstate 10 at an interchange north of the Airport and to Interstate 60 south of the Airport. South Haven Avenue cannot be closed or relocated. While land on both sides of South Haven Avenue is relatively level, the land to the east (where the Boot Property is located) has a slightly higher elevation, and there is an embankment along much of the east side of South Haven Avenue while the land to the west side is approximately twelve (12) feet lower than the road elevation with a retaining wall and embankment along much of the west side.

OIAA Staff determined that Airport land uses abutting to the west side of South Haven Avenue cannot be feasibly connected to the Boot Property for aircraft access east of South Haven Avenue. The central portion of Airport land along South Haven Avenue is in the Federal Aviation Administration ("FAA") Runway Protection Zones ("RPZs") for Runways 26L and 26R. The area along the west side of the South Haven Avenue north of the RPZs is currently occupied by the Airport rental car facility (a non-aeronautical use). The parcel along the west side of South Haven Avenue south of the RPZs has an east-west, stub taxiway that is dedicated to through-the-fence access to a privately-owned, exclusive-use aircraft parking ramp for United Parcel Service ("UPS") aircraft.

Multiple parties have expressed interest to the OIAA about buying or leasing the Boot Property.

Real Estate Broker Selection for Possible Long-Term Lease of the Boot Property

OIAA Staff proposes to assemble a committee to solicit proposals from qualified, licensed real estate brokers for the possible long-term lease of the Boot Property, and to review, analyze and rate those proposals regarding ensuring the possible long-term lease at the highest fair market value. A single broker, or a small set of brokers, would be identified by the committee to be presented to the Authority Commission for selection to represent the Authority on the possible long-term lease of the Boot Property. The review committee would be comprised of OIAA representatives, and County of San Bernardino representatives, all of whom would have experience in the long-term lease of real property and the selection of brokers for that purpose.

No Request for Proposal (RFP) or Request for Quote (RFQ) process is required for the solicitation, review, recommendation and possible selection of a real estate broker. OIAA Staff has determined, consistent with the Authority's Procurement Manual at page 5 and at Section 3, page 14, that the nature of the real estate broker services is such that competitive proposals would be unavailing or would not produce an advantage, and the advertisement for competitive bid is therefore undesirable. There are many qualified, licensed, experienced area real estate brokers known to the OIAA, and the broker fees are fairly standard across the industry. Instituting a public RFP or RFQ process for broker services would require a significant expenditure of OIAA staff time to prepare, and would likely result in an overwhelming number of responses, which responses would require an inordinate amount of OIAA Staff time to review. All of this effort would not materially improve the supply of qualified broker candidates already known to OIAA.

CEQA COMPLIANCE: The proposed action is not a project under the California Environmental Quality Act (CEQA). Even if the action was deemed to be a project under CEQA, it would be exempt from environmental review pursuant to CEQA Guidelines Section 15312 because the action relates to the possible long-term lease of surplus Authority property.

STAFFING IMPACT (# OF POSITIONS): N/A

IMPACT ON OPERATIONS: N/A

SCHEDULE: Upon approval of the broker selection plan cited above, recommendations for selection of a broker for the possible long-term lease of the Boot Property would return to the Commission for final selection action, if any, within two to three months.

EXHIBITS AND ATTACHMENTS:

N/A

The Agenda Report references the terms and conditions of the recommended actions and request for approval. Any document(s) referred to herein and that are not attached or posted online may be reviewed prior to or following scheduled Commission meetings in the Office of the Clerk of the Commission. Office hours are 8:30 a.m. to 5:00 p.m., Monday through Friday

This Agenda Report has been reviewed by OIAA General Counsel.